Proceedings
of the
Federation of Indian
Chambers of Commerce
and Industry
1932 — 1936

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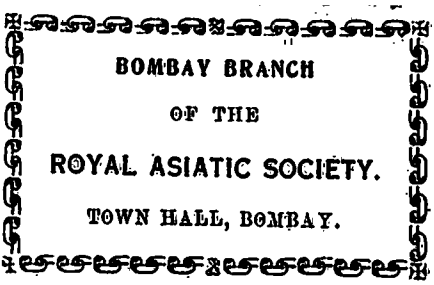

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Federation of Indian Chambers of Commerce and Industry

PROCEEDINGS

OF THE

FIFTH ANNUAL MEETING

HELD AT

DELHI

on the 26th & 27th March, 1932.

1932 — 1936

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Federation of Indian Chambers of Commerce and Industry

Proceedings of the Fifth Annual Meeting held in Delhi on Saturday the 26th March, 1932

The Fifth Annual Meeting of the Federation of Indian Chambers of Commerce and Industry was held at Delhi University Convocation Hall, Delhi, on Saturday the 26th March, 1932, at 3 p.m. when the following representatives of the Member-Bodies were present :—

Mr. Walchand Hirachand, Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E., Mr. G. D. Birla, Lala Shri Ram, Mr. Nalini Ranjan Sarker, Mr. Fakirjee Cowasjee, Mr. D. P. Khaitan, Mr. Ranchordas H. Gandhi, Mr. M. L. Dahanukar, Mr. B. Das, M.L.A., Mr. R. L. Nopany, Mr. M. A. Master, Sheth Ramanlal Lallubhai, Sheth Himatlal Kalidas, Sheth Shantilal Mangaldas, Mr. Devidas H. Shah, Sheth Hiralal Motilal, Babu Balkrishna Das, Lieut. Nalini Mohan Roy Chowdhury, Mr. P. C. Coomar, Mr. Suresh Chandra Roy, Mr. Devraj Marda, Mr. Lakshinivas Birla, Mr. P. R. Shrinivas, Mr. Chunilal Bhaichand Mehta, Mr. Hoshang N. E. Dinshaw, Mr. C. A. Buch, Mr. Atmaram Raoji Bhat, Mr. Ram Pershad, Mr. A. C. Khosla, Lala Padam Chand, Lala Baijnath Syal, Sardar Bahadur Sardar Sobha Singh, Mr. Hanuman Pershad Bagaria, Mr. C. S. Rangaswami, Mr. S. C. Mazumdar, Hon'ble Mr. B. K. Basu, C.I.E., Mr. J. P. Jhalla, Mr. P. D. Tambat, Mr. Anandji Haridas, Mr. G. L. Mehta, Lala Harkishen Lal, Bar-at-Law, Khan Bahadur Sardar Habib Ullah, M. L. C., Bar-at-Law, Lieut. Sardar Prem Singh Sodhbans, F.L.A.A. (Lond.) Mr. A. R. Siddiqui, Mr. Y. R. Patel, Mr. S. B. Cardmaster, Babu Suresh Chandra Banerjee, Mr. A. D. Shroff, Mr. H. M. Desai, Mr. A. L. Ojha, Mr. S. C. Ghose, Mr. J. N. Mukherji, Babu Lakshmi Narayan Poddar, Babu Indra Narayan Pandey, Mr. Premsukh Dasji Bhagat, Babu Raj Bahadur Rohtgi, Mr. J. N. Sen Gupta, Mr. Debes Chandra Ghose, Mr. Murli Dhar, Sj. Santosh Chand Bararai, Sj. Govindchand Bora, Sj. Gopichand Dhariwal, Mr. S. L. Lulla, M.A., LL.B., Mr. Balwant Shanker Dabke, Rao Bahadur L. V. Pophale, Mr. Kishan Prasad, Mr. Begraj Gupta, Mr. Gurdassram Agrawala, Mr. Kedarnath Agrawala, Mr. Rameshwardas Dalmia, Mr. Manmatha Nath Bannerji, Mr. Girija Mohan Sanyal, Mr. Amalendu Sen, Mr. Sidhis Ranjan Biswas, Mr. Suresh Chandra Bhattacharjee. Among the Secretaries deputed by Member-Bodies to attend the Annual Session were Messrs. J. K. Mehta, M.A., K. Shama Iyer, Gobind Chand Bora, D. V. Kelkar, and D. G. Mulherkar.

In the absence of the President, Mr. M. Jamal Mahomed Saib, M.L.A. owing to illness, Mr. Walchand Hirachand, Vice-President of the Federation, presided.

The Chairman: Gentlemen, Our President, Mr. M. Jamal Mahomed Saib, is unfortunately not present here today owing to indifferent health to welcome you all to this Session. He has sent his speech which I will now ask the Secretary, Mr. Mulherkar, to read.

(Mr. Mulherkar then read out the speech of Mr. M. Jamal Mahomed Saib.)

Gentlemen,

I welcome you all to this Fifth Annual Session of the Federation. The year 1931 turned out to be a very eventful one. It was heralded by that famous agreement, the Gandhi-Irwin Pact which was a distinct landmark in the history of our constitution. As a result of that Pact the Indian National Congress participated in the deliberations of the second session of the Round Table Conference and its sole representative, Mahatma Gandhi, attended the session.

Gentlemen, as you all know the Federation nominated as representatives of Indian commerce and industry, Sir Purshotamdas Thakurdas, Mr. G. D. Birla and myself to attend the second session. Your representatives did as best as they could and kept themselves in close touch with Mahatma Gandhi in London particularly regarding matters relating to finance and commerce. Unfortunately for this country, the atmosphere in which the second session met was not very congenial for calm deliberations. On the British horizon were seen signs of a grave financial crisis, an emergency Cabinet was formed and the country soon went to the polls. The anxiety to tide over the crisis was reflected in the thumping majority the Conservatives secured at the polls. Consequently, there came a thorough change in the Government of Great Britain. The Indian problem which once focussed the attention of Great Britain during its first stages seemed now less prominent in the picture when the British nation was faced with serious problems of their own. The Federal Structure Committee and the Minorities Committee of the Round Table Conference took a different turn. Moreover, it is miserably unfortunate that the minority question could not be solved and it hampered frank and free discussion of such important problems as finance and commerce with its safeguards and reservations. These important economic questions on which depended the whole of the economic life of this country, were only hurriedly taken up at the fag end of the session and the British Government did not then appear to be in a mood for an elaborate and thorough discussion of these things. However, taking all matters into consideration, I think that the way in which the Conference terminated, need not inspire pessimism, and it indicated that it was capable of more satisfactory developments.

You know the various Committees appointed to carry on the work of

the Round Table Conference, but I am afraid that the atmosphere that is now prevailing in the country is not conducive to a frank and cool exchange of views and a calm consideration of things so necessary in dealing with the many vitally important subjects concerning the future constitution of this country. The Government's adoption of repressive policy, rapid promulgation of Ordinances one upon another and the rigorous enforcement of same have tended to create an atmosphere of uncertainty and tension in the country. It is not possible for any one to expect trade and commerce to fare normally in such a surcharged atmosphere. I do not understand how the British expect to create a closer bond of friendship between India and Great Britain by following a policy and method which are being condemned by the people including the commercial community and the liberal leaders in the country. Friendship and also trade between the two countries can only prosper if there is sufficient good-will between them and one cannot see how that good-will is being helped by the present method. I fervently hope that the Government will recognise the necessity of adopting a policy of reconciliation and help in the creation of an atmosphere suitable for the concentration on, and calm consideration of, the great questions before the country.

Before I touch upon other events that happened in this country during the year under review, I should like to refer to one or two important points that were raised at the last session of the Round Table Conference relating to administration of finance and commerce in the future Government of the country. With the introduction of responsibility at the centre in the future Federal Government of the country, the question that will affect us most is the administration of finance and commerce. The British Government want certain safeguards to be introduced in the constitution subject to which the administration of finance will be handed over to a popular minister. The object of such a proposal according to their view is to maintain the financial stability and credit of India. But can there be any reasonable apprehension that the future popular minister handling the portfolio of finance would be less zealous of the financial stability and credit of his own country than the alien nominee of the British Government under the present Act ? Can it either be said with reason that these safeguards are necessary for creating confidence in the foreign investors, when we find Britain giving substantial loans even to insignificantly small foreign nations without demanding any safeguards in the financial administrations of the borrowing countries ? One is rather led to believe that the anxiety is not simply to maintain the financial stability and credit of India abroad, but to adjust the currency and exchange policy of India to suit the financial and industrial requirements of the British nation. Such a belief can only be strengthened by such an act as the most deplorable interference by the Rt. Hon'ble the Secretary of State for India in September last in linking the Rupee to Sterling. When the British nation went off the gold standard, the Government of India acting in the best interests of the country issued an Ordinance suspending

the obligation to sell gold or sterling against Rupee evidently with a mind to let the rupee to find its own level. But within a few hours of this decision and even when the Legislative Assembly was in session, the Secretary of State for India reversed their policy and linked the rupee to the sterling. This I am quoting by way of an illustration to show how the interests of this country are subordinated to those of Great Britain. The history of our currency policy will show how the British nation have been using their power of control and superintendence to the promotion of the interests of the United Kingdom and it is no wonder that with such a history before them, those representing India who were competent to express any opinion on these matters were very nervous from the very beginning about the proposals of the British Government as regards financial safeguards.

Another important subject is in relation to commerce and problems connected therewith such as commercial discrimination and equality of trading rights. At the Federal Structure Committee, Mahatma Gandhi suggested a formula to the effect that "no disqualification not suffered by the Indian-born citizens of the State shall be imposed upon any persons lawfully residing in or entering India merely on the ground of race, colour or religion." The word 'discrimination' which was so much used during the deliberations of the Federal Structure Committee is certainly an unfortunately chosen word. The future Government of India would certainly not discriminate against any particular individual or firm or interest simply because he or it happens to be a non-national. The main idea underlying this demand for the right of discrimination, to my mind, is that the right of the future legislature of this country to enunciate a particular policy in the economic interests of the country should be left intact. I take this opportunity of appealing to the representatives of the British commercial community that if they would trust the future Government of the country and thus create greater good-will between the two communities, they would not have any occasion to repent their action in days to come. As you know, commerce cannot thrive without international co-operation and good-will between the various countries which are in trade relations with one another. India of the future date will certainly not like to remain isolated and it will be very difficult for her to shut out foreign trade and to wish to develop her own export trade with other countries. India in deciding upon a certain policy of protection to her own indigenous industry will, I am sure, take into account the effects of such a policy on her relations with other foreign countries of the world. I would, therefore, urge that though we are quite prepared to have a clause in the statute to the effect that there shall be no discrimination *per se* against any non-national, India should be given the same powers which are at present enjoyed by the other component self-governing parts of the Empire in matters relating to finance and commerce of the country.

I find, besides these two important points, another proposal on the agenda

of the Consultative Committee of the Round Table Conference for constituting the Railway Board into a Statutory body. This is a question which was not fully dealt with at the Federal Structure Committee. The Railways of India, as you know, are one of the best assets of the taxpayer and constitute one of the largest assets in India. It is an important means of transport and a very useful means of bringing the distant parts of India together. In America and certain other countries, railways are used as a useful weapon in the development of industries and the future Government of India will doubtless make use of the transport facilities afforded by the net work of railways to put forth more and more facilities in the way of the growers of India's crops. The anxiety of the present administration in India to turn the present Railway Board into a statutory body on the eve of the inauguration of the new constitution is strange and I must record my voice of protest against any such act at the present stage. When the new Government of India Act comes into force, the legislature of the country will be the best competent authority to lay down the future constitution of the Ministry of Transport which would not only look after the administration of railways but also take care of the construction and maintenance of roads and development of inland and coastal navigation. These three means of transport constitute a very important factor in the economic development of a country and the problem should not be tackled now as it is expected to be done by the Round Table Conference.

Events in India during the year under report were not very assuring and the economic situation in the country worsened though there were occasional fitful flashes of certain brightness as regards commerce. Retrenchment Committees became the order of the day. Your Committee thought it advisable in June last to carry on some correspondence with the Hon'ble the Finance Member suggesting certain remedies to alleviate this tension such as reconsideration of the currency policy and drastic retrenchment to the extent of one-third in the expenditure of the Imperial as well as Provincial Governments. But it was more and more brought home to the Committee that the Government of India as constituted at present were not always able, in these things, to keep the interests of this country alone at the top. I have already referred to how the moment the Government of India adopted a particular course as regards gold-standard in the best interests of the country, the Home Government through the Secretary of State for India reversed the course. Nothing resulted from the correspondence which was carried on by the Committee for nearly four months owing to an entirely different outlook taken by the Government on the question of the currency policy of the country.

The decision of the Secretary of State for India to link the rupee to the sterling brings me to another very disquieting feature of the year, I mean, the enormous export of gold from this country. India exported between September 1931 and February 1932, gold to the value of Rupees 50 crores.

India never exported gold on such a large scale before. The phenomenon is particularly distressing because the movement of gold is more or less promoted not by any offer of speculative profit but by economic pressure of forcing the poverty-stricken people of this country to part with their savings in the form of gold ornaments. One must understand that in India owing to illiteracy prevailing amongst the masses and particularly owing to the absence of adequate banking facilities, people have not cultivated the habit of keeping any bank accounts or holding their savings in gold-edged securities. They generally do not also find any enthusiasm in holding any industrial script which is to be attributed to a large extent also to the apathetic attitude of Government towards indigenous industries. The illiterate masses, therefore, follow a safer course of converting whatever little they could save either into silver or gold ornaments—the poor peasantry holding their savings mostly in silver while the middle classes in gold ornaments. Gold is not hoarded in India in the true sense of the word. These gold ornaments are called 'stridhan' of the family and are always held sacred and are not subjected to speculative transactions. Nothing will prompt an Indian to bring the ornaments of his family into the market merely to make a profit out of the sale but the very fact that the ornaments are coming into the market for sale justifies the conclusion that in a majority of the cases, gold is coming as the result of straightened circumstances of the Indians in various walks of life in the country. With the knowledge of these facts before us, we cannot help viewing with grave concern these enormous quantities of gold coming into the market for sale, which indicate the acuteness of economic distress in the country. How long is the country to pull on the sales of gold is a question worth consideration. That the outflow of gold is not going to last for a long time goes without saying. One is then faced with the question 'What then' when the capacity of the people to stand the economic distress is being undermined by the disappearance of whatever gold that they may possess at present, it does not behove the Government of the country to follow a policy of indifference and allow the yellow metal to leave the shores of the country undisturbed. One is at a loss to understand that when countries like Canada, Australia, Sweden, Norway, Japan, Egypt, Argentine and several others which have abandoned gold standard, have prohibited or restrained to a great extent export of gold from their shores, India is unfortunately an unique instance of a country, which, being off the gold standard, is not placing any embargo or restriction on the export of gold. Does not this unfortunately unique phenomenon make one think that the policy of Government is governed more by considerations of other interests than those of India ? His Excellency the Viceroy said in his address to the Legislative Assembly in January last to the effect that there was no public ground on which the prohibition of export of gold could be justified and that the export of gold at this stage was definitely and decisively to India's advantage. But whether the export of gold is not in the interest of the country will be strikingly apparent when one has in mind the appeal made by the Chancellor of the Exchequer in the Parliament on the 9th February last

asking people of the United Kingdom to serve the public interests best by not selling gold coins at a premium of 33 per cent but by paying them into the Government Treasury. The Indian commercial community asked and is still asking with one voice for an immediate embargo on the export of gold and suggested to Government to avail themselves of the opportunity thus offered by adding substantially to their gold reserves by purchasing gold offered for sale at a reasonable price by issuing fresh currency against it, but there has come no response from the Government. If the Government had followed the advice offered by the commercial community, the currency could also have been expanded in a more natural and safer way than the one now adopted, and the gold reserves could have been also used at a future time to form the nucleus of the gold reserves that are required to launch successfully a Reserve Bank for India.

May I take this opportunity to put a word of warning to those responsible for not checking these exports of yellow metal that as India constitutes one-fifth of the population of the globe, recovery of trade all the world over will to a great extent depend upon the recovery of this country from the economic chaos which will ensue after the total pauperisation of the masses of this country and sooner these facts dawn upon the Government of India and sooner they find out ways and means to improve the economic conditions of the masses of the country, the better will it be not only for this country, but for the whole of the civilised world ?

Before I conclude, I wish to draw the serious attention of the Government authorities to the fact that India is mainly an agricultural country. The Indian agriculturist, to say the least, lives in a state of perpetual semi-starvation. The agricultural debt is estimated to be in the neighbourhood of 800 crores. The freight policy of the Railway Board is not conducive to greater movement of agricultural produce from one place of consumption to another and the long distances over which the agricultural produce of one province is to be carried over to another in a country like India makes it well-nigh impossible for the agriculturist to secure adequate return for the produce of his soil. Over and above this, he has to pay land revenue which is not commensurate with the produce that his soil yields having regard to the great fall in the prices of commodities. Unless Government devise means of lessening the interest charges which he has to pay on his debts, the economic condition of the agriculturist can not fully improve. The land revenue policy of the Government has also aggravated to a great extent the present agrarian trouble and distress. Mere grant of remissions during lean years will not help him. The lands should be so assessed as to leave him sufficient margin to enable him to meet the daily requirements of his family. If relief is given in these directions i.e. by way of decreasing these debt liabilities, by offering reduced railway rates to stimulate greater movement of agricultural produce and by adjusting land revenue so as to leave him a fair margin, I am sure the present crisis, which is of course main-

ly due to a substantial fall in prices all the world over, will be to a great extent mitigated. I need not dwell upon the consequent advantages which the betterment of the lot of the agriculturists will bestow on the other spheres of the country in the shape of a greater demand for manufactured articles and of an indirect but sure stimulus to the indigenous industries. I hope this serious problem will be handled by Government at a very early date, as on it will depend the economic recovery of an agricultural country like India.

It is a matter of regret that the Government of India are not still in a position to adjust their financial requirements of the year. With all the new taxations and introduction of surcharges, the year is still expected to close with a deficit of 13 crores. I am afraid if the administration of this country is run on these lines, it will soon be landed in greater financial difficulties. The avenues of securing greater finances by way of taxes direct or indirect, have all now been closed and the country is more heavily burdened than it can afford to bear. The only alternative way, to my mind, out of its very distressing position is a drastic cut or a fair adjustment in the military expenditure of the country and further economy in other directions. The Government of India must either see that the military expenditure is further cut down considerably or a proper and fair adjustment is made with the Home Government owing to the fact that the Army in India is to a large extent maintained for Imperial purposes. Several of the colonies and dominions which depend for their security on the military strength of this country, such as, Australia, New Zealand, Union of South Africa, Kenya and Mandated Territories in East Africa, should also be made to pay a share towards the maintenance of the Army in India. Another direction in which efforts must be made to adjust the expenditure according to the receipts is the costly machinery with which the administration of the country is run. The emoluments of the Imperial Services and those of the Provincial and other Subordinate Services do require a proper adjustment in view of the prevailing conditions in the country. A poverty-stricken country like India cannot afford to pay the Services on such a high scale and sooner these adjustments are made the better will it be for the future of the country. Otherwise, I am afraid the new constitution, even if it is launched with the approval of all the political parties in the country, will not find proper scope for natural and sufficient development and will be seriously handicapped under the heavy burden of taxation. The nation-building departments in the provinces are practically starved down with a view to make available the necessary money for the liabilities incurred by Government. If India is to find her place amongst the civilised nations of the world, she will have to adjust her requirements in a manner as would keep her solvent for generations to come. I sincerely hope the British nation in transferring the powers to the hands of the Indians will not give them a country bereft of economic vitality but will hand it over to the younger generation as a sufficiently solvent country.

I thank you all gentlemen for giving me a patient hearing.

The Chairman: Before we go to item No. 2, 'Resolutions,' I should like to mention that ballot papers will now be distributed for the new committee. As regards the election of the President, there is only one nomination and therefore there will be no election. The same applies to the election of Hony. Treasurers. As you are aware, the Vice-President is to be elected by the new Committee. We will try with your cooperation to finish to-day almost all the Resolutions, except No. 10 on page 7, which we shall take up tomorrow. Probably we will have to take up the Exchange resolution also tomorrow. I hope as regards the time limit no more rulings be issued beyond what is contained in the Rules. After the ballot papers have been distributed, we will take up the Resolution on Gold.

(Ballot papers were then distributed to the Representatives.)

GOLD.

Mr. Nalini Ranjan Sarker, (Bengal National Chamber of Commerce, Calcutta): Sir, I beg to move:

"(a) **The Federation views with grave concern the continuous and heavy export of gold from India amounting to about Rs. 55 crores and strongly urges upon the Government of India the desirability of placing an immediate embargo on the export of gold from India as such a heavy and continuous drain of the precious metal will seriously endanger India's future monetary reconstruction.**

(b) **The Federation further urges on Government the necessity of purchasing gold in the open market at a price fixed on the basis of day-to-day ruling rate with a view to accumulate gold reserves which will enable the future Government of the country to establish the Reserve Bank with adequate resources at its command.**"

In urging this resolution for your acceptance, I do not think there is any need for putting forward any elaborate arguments, having regard to the emphasis and persistence with which the claim has been made by the Indian commercial community as well as the obvious nature of the duty which the phenomenon of the alarming efflux of gold imposed upon the Government. It is indeed difficult for me, or for any other member of the Indian commercial community to speak with restraint or moderation on the policy of inaction which the Government have been pursuing in regard to the question of gold exports. For the country has felt, as indeed it has every reason to feel, that in the emergence of gold from its age-old retreats, the nation was afforded an opportunity for preparing for its monetary reconstruction,—an opportunity so unexpected that even two years ago, most of us would have dis-

missed all suggestions of its probability as too good to be true. It is such an opportunity that is now being thrown away inspite of public opinion expressing itself in the most unmistakeable manner. That Indian business circles are perfectly unanimous on this point—there is not the slightest doubt; and even outside the commercial community, responsible Indian opinion is also unanimous on this point, that gold exports should be prohibited and that the golden opportunity to strengthen the gold reserves from India's own resources should be availed of to its fullest.

All sections of the business community and the general educated public have viewed the questions arising from the persistent outflow of gold from this standpoint of instituting in the future a simple and sound currency system for the lack of which the country has suffered incalculable losses in the past. I am sure that though some members of the Indian commercial community might have taken advantage of the unchecked exports of gold to earn a good profit for themselves they have been moved by the superior consideration of the ordered economic progress of the country which depends upon a sound currency system in the future demanding as it must, that the gold now released from hoards should be acquired for purposes of currency reserve.

The resolution which I have just moved for your acceptance has, as you will see, pressed for the measure only on the ground that otherwise the natural monetary reconstruction will be endangered. I have therefore to emphasise here for the benefit of those ready critics of the popular view whether in politics, currency, trade or industry that nobody will have met our views who does not establish either that monetary reconstruction is not necessary for economic progress or that, squander the gold as we may now, there will always be gold available for the purpose we have in mind.

'I make bold to say therefore that all other arguments have little or no validity here. They are not germane to our discussion. Once you grant that we must have monetary reconstruction, that gold is necessary for such monetary reconstruction that it is by no means certain that gold will be available for this purpose in the future our view stands absolutely impregnable. Obvious as these may seem, a few words expressing them may not however be out of place. The only necessity of monetary reconstruction may be passed over as beyond all controversy. And as for the necessity of gold for this purpose, the only circumstance in which the amount of gold may become a matter of indifference is the universal and final dethronement of gold from its place as the international standard and medium of exchange. That, we are entitled to regard as beyond the pale of practical politics for as long as we can foresee. At any rate we can not frame our policy on such a hypothesis. And thirdly, as for the availability of gold in the future, it must be remembered that the main almost the sole contention of the Hilton-Young Commission in dismissing a full-fledged Gold standard as an impossibility

was the utter impossibility of acquiring the gold necessary for reserve purposes from those who hold the monetary stocks of that metal. The representatives of the American Federal Reserve System not only withheld every sympathy from India's desire to acquire stocks of monetary gold proportionate to the place of this country in world trade and world economy, but even hinted active opposition and deliberate frustration of our plans in order that America's silver producers may not be deprived of a useful market. The Hilton-Young Commission were also impressed by the evidence of Prof. Cassell whose premonitions regarding a shortage of monetary gold have proved true though in a slightly different form. And they therefore decided to recommend the puzzling system of a gold bullion standard solely on the ground of the unavailability of gold. Indian leaders have since then turned to the expedient of retaining the country's hoards of the yellow metal to circumvent the apathy and hostility of the outer world to India's aspirations in regard to her currency. Practical schemes designed to that end have been broached and discussed; and one may guess the difficulties of the problem involved from the fact that not one of these schemes could inspire sufficient faith in its ultimate success. What we could not plan for, what we could not even hope for, has now happened. And the Government have now interposed betwixt the proverbial cup and the lip. The gold has moved out of its hoarding; but the Government have allowed it to be taken away to the farthest corners of the world.

I have said enough to show the importance to us of the phenomenon which has happened and the gravity of the injury which the Government have done to this country. But let me make clear at the same time that while I do consider the arguments that have been advanced against the popular standpoint by Sir George Schuster and the apologists are woefully beside the point and therefore do not, strictly speaking, call for a reply, I do not think it wise to leave the impression that these arguments are sound and difficult to answer. I may proceed therefore, without prejudice, as the lawyers would say, to my contention—to examine them for what they are worth. I may reasonably take it that those portions of the speech of Sir George Schuster which are relevant to this question constitute the ablest and most authoritative exposition of the case against the resolution on hand. And on reading them over though I feel it is difficult to synthesise the remarks of Sir George Schuster, I may say that his arguments are somewhat in this line. He apparently regards as the best defence of his policy the circumstance that the gold which has left the country and may leave the country, still is but a small fraction of the total hoards with which India is normally credited. On this circumstance are based the main arguments which I shall recapitulate in the following way: The country has reserves of which only a fraction is being used for the purpose which a reservoir or reserve should by its very nature legitimately subserve. As the gold does not come from the currency reserve and as its sale by its individual holders is obviously necessary and advantageous to them, no question of public policy is involved.

In these circumstances gold should be looked upon as a mere commodity and a survey of the international position would also point to the advisability of an unrestricted movement of gold. And if the example of other countries is pointed to, Sir George avers that embargo on gold, wherever it has been laid, has been laid as part of a scheme of exchange control and not because gold by itself has a peculiar sanctity. And if in circumvention of some or all of these contentions the Finance Member is confronted with the scheme of Government purchase of gold, he has four categorical objections. All these together with a few sentimental and parenthetical observations I take one by one in the little time that is still available to me.

May I at the outset point out, though I do not by any means exaggerate its logical value or effect that ours is the only Finance Member in the whole world to-day who has thought it necessary to attempt to defend at length in his Budget speech the unrestricted export of gold from his country ? I shall not however grudge Sir George this unenviable distinction. But in this context he can derive little help from the distinction that he has made between monetary gold reserve and private holdings of gold. For nobody accused the Government now of endangering the gold backing of our present currency, though in this respect, too, the Government have had a black enough record in the past. Our present accusation is that Government are not preventing dissipation of what might serve in future as the backing to our currency. If diminution in actual monetary reserve is a matter of serious concern the dissipation of the potential reserves is only one step removed from it. Rather the latter is a far graver wrong as it means the thwarting of the early establishment of a gold standard and Reserve Bank.

The Finance Member has argued that gold must be treated like any other ordinary commodity. But that is a manifest impossibility, for a medium of payment or a store of value is not the same as the commodities we trade in. Gold has a significance far greater than its industrial and commercial use. It is its mal-distribution that is acknowledged to be the most potent factor in the present world depression. It is the lack of this metal which exposed us to the sinister follies of a managed standard. It is easy enough for Sir George to argue that

> " In relation to the vast stores of gold held privately in India the quantities now being exported were of minor importance. The quantities being drawn off are negligible in comparison with the quantities stored."

But this comparison is misleading and gives a false sense of the relative volume of the gold that has left the country. The actual amount of gold exported may be small in comparison to the amounts imported during the last 30 years ; but 55 crores is no mean sum. It is about 45 per cent of the total estimated revenue of Sir George Schuster's Budget for 1932-33 ; and according to Sir George's own figures India has exported in four months

as much gold as she would normally take over two years to accumulate. The amount so far exported is a third of the annual production. It is in this way that we have to size the amount exported. For there is no practical use in arithmetical calculations of India's total hoard. For there is no guarantee that the rest of the hoard will be available to us when we require it. A turn of the economic tide may find the holders of gold clinging to their possessions with the result that the country will have given away the really accessible part of it. Thus the size of the hoard and the source of the present exports do not affect our argument here. In other words, conditions within the country do not strengthen the Government's position.

Let us now at Sir George's dictation turn our eyes abroad. We are not children in economic affairs nor a collective modern Midas to exaggerate the value of gold. Says Sir George :

" It is impossible to escape the conclusion that the world is faced now with two alternatives, either to find some means-by better international arrangements and the better use of the available monetary stocks of gold-for reducing the real value of gold as expressed in commodities, or to abandon gold altogether as the basis of currency. If those are the two alternatives then surely one is forced inevitable to the conclusion, that in either case—whichever of the two alternatives actually happens, it would, taking a long view, pay to part with gold now."

To this my answer is straight and simple. I refuse, as I mentioned at the outset, to consider the second alternative. No practical financier can take that into account. And as for the first, does Sir George contend that India's exports have reduced or will reduce the overvaluation of gold ? Beyond helping Great Britain to tide over the present transition smoothly, it has performed no international function. For the lot of India's gold is only a change of hiding place. It has only joined what Mr. H. G. Wells calls the "solemnly idiotic journey" of the world's gold to the vaults of the Bank of France. If the leading countries of the world are so perverse as to sit tight on their gold nobody in the world can expect India to go out on a search of the world's monetary salvation except of course our Finance Member. It may flatter the vanity of our Government to play the exemplary mentor to an erring world but when they do that at the expense of this country it is time for us to protest.

Perhaps Sir George's insistence on the international outlook gives the real motive for his encouraging the export of gold. He justifies it by saying that it benefits the world, and I will annotate it by adding that to the Britisher in India the world is Britain. The British financial press has frankly admitted the blessing conferred upon Britain by India's export of gold. It has enabled her to effect repayment of credits advanced by the Federal Reserve Bank of New York and the Bank of France without drawing

upon her gold, without direct export of gold even before the due date. " The Indian gold influx probably saved the situation." The financial correspondent of a well-known British weekly adds in happy vein, "If the Indian hoards continue to be released it should be possible for the Bank (of England) to build up fresh resources for further payments." It is significant to remember that there is a large amount of credit still outstanding. Therefore more of Britain's gold is under mortgage. The policy of unrestricted export of gold from India will probably help her to redeem the mortgage. It is no use the Finance Member protesting that his policy is all straight and sound, when there is such overwhelming evidence that it has been far too much influenced by extra-Indian considerations.

The Finance Member asks, "Why, therefore, should the people of India be deprived of the right to exercise their own judgment in this matter of sale of their gold ? " Coming as it does from the Government of India I am struck by the irony of it. Their pose of respect for our judgment would be amusing if it were not so hurtful. The question of private inconvenience is, as you will see, answered in effect by the suggestion of the Government purchases. But before we proceed to it which will take us to the second part of the resolution, let me deal in brief with Sir George's argument that embargo on gold is in other countries part of the scheme of exchange control. I venture to suggest that this circumstance tends to strengthen our case. For it shows, if anything, that in these countries the currency system as such is sound, and what is required is the steadying of exchange by regulation of the balance of payments. But here we want the gold to set the monetary system on its legs ; and the practice of foreign countries where it is different from what we demand has no application here. The case of Britain is different as in matters of currency and exchange there is little or no recalcitrance shown to the moral authority of the Bank of England. Besides, Sir George Schuster left out one important particular. He did not tell us whether in the balance England lost or gained gold. England could afford to allow freedom of sale or even export of gold because on the whole she was receiving infinitely more gold than she was shipping out. In such circumstances nobody would want to put an embargo. But in India conditions are just the opposite. We are merely exporting gold. There is no stream of it coming into this country. If Sir George Schuster can bring about the same happy conditions as in England we can assure him that we will not ask him to impose any embargo.

As regards the second part of the resolution, the insistence on the standpoint of the monetary reconstruction of the future makes it necessary that the Government should buy all the gold that is available. As this should not involve any injustice to the individual holder of gold and as he is entitled to get what the foreign importer would offer him, we rightly insist on the rate being fixed on the real gold value of the rupee. This implies that so long as the link to sterling remains, the sterling dollar cross rate is the working

measure of the gold value of the rupee. And if the link is abandoned as the Federation recommends in another resolution, it is not difficult to devise formula for ascertaining the value of the rupee in gold. Against this the official objection is that there is an element of risk of speculation in these purchases of gold. I shall not try to prove that there is no risk; but I will say that if the value of the rupee is not stabilised in the future at a considerably higher level than at the time of the purchase of gold, then there is no risk of any serious loss. This raises again the old familiar question of playing pranks with the purchasing power of the unit of currency. And if we make up our mind against this, much of the speculative element in the purchase of gold will be eliminated. More than all the Federation is entitled to demand that in the interest of the future monetary reconstruction, the risks which are inseparable from transactions of this kind in an abnormal time should be undertaken by the State. The possible losses will be more than outweighed by the certain gains that will flow from the establishment of a sound currency. It is only lack of interest in the permanent welfare of India that induces men to imagine difficulties that are not present and to exaggerate such as do remain. Sir George Schuster referred to the identity of the interest of the Government and the people. But this is a state of affairs which ought to be but assuredly is not and has never been till now. Even if the Government are sincere enough in their pursuit of the well-being of the people, there is, to put it mildly, the unconscious difference to the interest of Great Britain which is now admittedly in a sore plight.

Gentlemen, I think I have said enough to buttress our standpoint with concrete arguments. As I have said at the outset it is difficult for any one who realises the enormity of the damage that is being done, much of it being the more dangerous for its being potential, can speak without emotion. It is of course true that this is not the first time, and I hope, it will be somewhere near the last time,—when the Government have adopted a policy, and undertaken operations, on lines entirely opposed to the Indian view. But in all the history of the sins of commission and omission of which the Government are chargeable in regard to currency, monetary and fiscal matters, and which are as grave in character as they are numerous in number, the policy of *laissez faire* adopted by the Government as regards gold exports has wrought the most grievous wrong in the country and at a critical stage in its chapter of monetary reconstruction; and has at the same time exposed the *mala fides* of the authorities in the clearest fashion. To say that all this export of gold has done India good and will continue to do incalculable good to her is to add insult to injury. Honesty demands and compels the admission that India's loss has been Britain's gain; and that what time India's future hopes and plans have thus been frustrated and jeopardised England's present difficulties have been thereby most smoothly and most unexpectedly tided over. It suits England to have all this gold exported from India; else sterling would have seen lower depths than the low level of 3.25 dollars to the pound. In the eye of our administrators

the permanent interests of their country of adoption counts for nothing, compared to the monetary embarrassments of their country of birth. If the Finance Member had straightaway admitted that Imperial considerations should have precedence over India's interests, I for one would at least have admired his outspokenness. To defend the indefensible and urge in effect that everything that happens happens for India's best is a performance which has no saving grace of any kind in it.

With these words I recommend the Resolution for your acceptance.

Mr. C. S. Rangaswami : Sir, on a point of order, I think the Resolution as it is worded in the book supplied to us is not altogether consistent with the Resolution as moved.

Mr. Nalini Ranjan Sarker: I left out the words "on London-New York cross rate." I did it to make it compatible with the subsequent Resolutions. These words were omitted in the Committee to-day.

Mr. C. S. Rangaswami : May I suggest that it would be better to add "day to day ruling rate calculated on the gold value of the rupee " ?

Mr. Chunilal B. Mehta : Even if the second resolution is passed and adopted by the Government, even then the London-New York cross rate will be one of the important factors. You can say "the rate on the London-New York-Bombay exchange " and that will cover everything.

Mr. G. D. Birla : It was superfluous because it was understood.

Mr. Chunilal B. Mehta (Bombay Bullion Exchange, Bombay): Mr. President and gentlemen, I beg to support the resolution moved by Mr. Sarker. The resolution is divided into two parts. The first part calls on the Government to put an immediate embargo on the export of gold and the second part requests Government to buy gold at the daily ruling rate in Bombay. Gentlemen, since ages India is always a buyer and importer of gold ; it is very rarely that she exports gold. The export of gold from any country is supposed to indicate the economic distress of that country. Our recent economic distress began from the time when the 18 pence gold ratio was fixed by the Government. From that time in order to maintain that exchange Government systematically contracted the currency, and kept the interest rates higher, and the result was that the commodity prices declined and declined. Consequently distress gold began to come on the market to be sold. It proved that the capacity of India to absorb new gold had come to an end and on the contrary the masses had to fall back on their ultimate reserves of gold.

This phenomenon had begun before the 21st September when India

abandoned the gold standard. Before the 21st September gold worth about 10 crores was tendered to the mint at the statutory rate of Rs. 21-3-10. Up to that time there was no complaint from any one on that score. The fixing of the buying rate for gold has one object, and that is that in times of necessity gold should function that is, Government would buy gold and issue currency against it. The legislature while passing that Act also had the same purpose. There was no idea that the gold should be allowed to leave the country. But since 21st September when India abandoned the gold standard, gold began to leave the country and our complaint began. However Government took no steps to arrest this export and to acquire gold. H. E. the Viceroy in his speech before the legislature in January last and Sir George Schuster in his budget speech, both of them have extolled the advantages of gold exports from India. One of the arguments that was brought forward was that these exports enabled them to meet their sterling liabilities of £15 millions. They had met these liabilities, but from where? Not from any surplus revenue from India, neither did they float any loan to meet this. They met it only out of the expansion of currency and not from any revenues or surplus. To pay off a debt by expansion of currency is nothing much to be proud of as Government does take pride. Had there been a Reserve Bank and had currency not been in the hands of Government, I think this position would not have arisen. But even now, after having paid off £15 millions and after having purchased a further £20 millions to strengthen the home treasury balances, will Government put now an immediate embargo on further exports of gold? That is what we want still. One of the arguments of Sir George Schuster was that in buying gold there is a speculative risk. I would say that as long as sterling is not stabilised and sterling is fluctuating, there is an equal risk in buying sterling as in buying gold. When there is that risk in both, the proper thing to do is to take the lesser risk and that is to buy gold. With gold we can buy anything, any amount of sterling but it is difficult or it may be difficult if we can buy gold with sterling. If Government buy gold it would help the Indian currency and it will bring confidence in the Indian currency and it would also help in the monetary reconstruction of India. That Government who undertook to accept huge actual losses in silver sales are now hesitating to undertake a possible risk of loss in acquiring gold, is a strange phenomenon. It seems that the Government have no desire to buy gold. Of course the question of risk is only a secondary question. Further looking to the present conditions it is easy to buy sterling but it is difficult to get gold for purposes of imports into India even if India so wanted. I would not be surprised if the Government of India would put an embargo on the import of gold in case internal gold prices came to import parity prices and India begins to import gold. One of the arguments brought forward by Sir George Schuster was that the Government of India could not afford to buy and hold all the gold that is offered for sale, because of their external obligations. Gentlemen, Government did not buy one ounce of gold: they did not even begin to buy. Had they begun to buy and had they bought a huge amount,

then if they said that, it would be something. But without buying a single ounce of gold they come and say they cannot buy gold and that is not at all consistent. After all, all this gold has been financed by expansion of currency. If sterling can be bought by expansion of currency, why cannot gold be bought similarly ? If sterling can be held by an expansion of currency, why should not gold be bought and held in India ?

Another point brought forward by Sir George Schuster was that we have proper proportion of gold in reserve. It was a little strange. The latest statement of the Paper Currency Department says that we have 180 crores in notes, and against that our gold reserves are only 5 crores which gives a percentage of less than 3 per cent of the notes issued. I do not know what is the proper porportion fixed for in the Paper Currency Reserve. If it is less than 3 per cent then I have nothing to say ; but if it requires more than that percentage, we can say that the proper proportion is not there.

Sir George Schuster has said further that there are no restrictions on gold exports in other countries and he has specified five countries, South Africa, France, Holland, Belgium and the United States. I want to remind him that those countries are on gold standard. When they are on gold standard it is not necessary to put any restriction on exports of gold. This comparison of India which is off the gold standard with countries which are on gold standard is not fair and cannot stand. There is an erroneous impression in the minds of foreigners that in India there is a huge amount of stocks of gold. Some British papers estimate the stock of gold in India at 700 million pounds or about Rs. 930 crores. I would challenge such a figure. In 1920, Mr. Findlay Shirras had estimated the imports of gold into India up to that time at £372 millions, which comes to about 496 crores. Since then in the subsequent eleven years gold imports into India came to about 195 crores, thus giving a total import figure of about 700 crores ; but these are import figures and not stock figures. The invisible exports of gold have not been taken into account at all. Every year and continually a large amount of gold is being taken away by the merchant traders by land frontiers across to Afghanistan, Persia and Arabia and all these adjacent countries. Nobody has taken any note of it and there is no data to find out this amount as to how much gold has gone out of the country by these routes. Further we are employing a large amount of gold in arts and industries. Taking all these into consideration, it must come to a substantial amount, and as such the impression that there is a huge stock of gold in India is highly exaggerated.

The continued exports of gold from India will certainly delay the monetary reconstruction in our country. Although several countries have given up gold standard, still gold continues to be the ultimate measure of value internal and external and everywhere ; and all those countries which have abandoned the gold standard will soon revert to it. I will say that even

the Government of India will ultimately have to do so. Whatever technical name may be given to the future monetary standard in different parts of the world, gold will certainly play a very important part in all future reconstruction of the monetary structure wherever it be, in India or any other part of the world. As such a greater proportion of gold reserves is necessary in India for effective functioning of the gold standard. A fully managed currency in India to my mind would be a dangerous thing. We should have in this way a large stock of gold in India for our currency reserve purposes. In April 1927 in our Paper Currency Reserve there was gold in India worth 29 crores and since then gold worth about 10 crores was tendered to the currency authorities by the public as distress gold ; and now the latest statement says that the gold is only 5 crores. We have thus lost 34 crores of gold in India, over and above the sterling securities which we had in England. A very good opportunity has been offered now to Government to acquire gold and that also in India at cheaper parity price than the world gold prices. It would be asked that when Government puts an embargo on the export of gold how can the public dispose of their gold ? A reply has been given to that in the second part of the resolution : that is, that Government should buy gold on the basis of the daily New York-London-Bombay cross rate or whatever may be the ruling rates. Government buying of gold in India is not a new feature. Government have been buying gold always, and that at varying rates during the past years. We have also changed the ratio so many times and the buying rates have automatically changed. At 16d. the buying rate was different ; at 24d. the buying rate was different ; and at 18d. the buying rate was different. Now, why should there not be buying by the Government at varying rates ? The 18d. ratio has gone and the rupee has been attached to a fluctuating sterling ; yet Government do not want to buy gold at fluctuating rates. Government's contention is that it would be difficult to buy gold at varying rates. But Government have sold gold by tenders and also have got gold at varying rates. Even at present the Government is buying sterling exchange at varying rates. In Britain to-day Government or the Bank of England are buying gold exchanges at day to day fluctuating rates. The buying rate of Rs. 21-3-10 in India and £4-4-11½ in England has gone at least for the present, if not for ever. Now, if those rates have gone, why should not the Government stick to this, that they will buy only at a fixed rate and not at fluctuating rates? The so-called losses in buying gold at different rates is after all a paper adjustment. The rate of Rs. 21-3-10 is their own creation. If they change the ratio again, the rate would be changed. Therefore these gold exports should be immediately prohibited and Government should buy gold.

With these few words I support the resolution moved by Mr. Sarker.

Mr. Hoshang N. E. Dinshaw (Buyers and Shippers Chamber, Karachi) in supporting the Resolution said :—

Gentlemen,—I rise to support the Resolution that has been so ably moved and seconded by my worthy friends here who have spoken previous to me, and they have spoken so well that they have left very few words for me to say. But I shall dwell upon only one or two points of the speech made by the Finance Member in the Legislative Assembly during his budget speech. One of the points he enunciated was that the policy of gold hoarding was a folly—I do not know if he added the word 'criminal'—but I distinctly remember he added the word folly. He condemns as a piece of criminal folly to hoard gold or permit it to remain dormant. I agree provided such gold is immobilised and remains sterilised in private possession and individual ownership, but in the hands of a State or a Government it is the security on which depends the credit structure of the country. That is why you witness the extreme reluctance of any of the great central or national banks of various countries to part with the possession of this precious metal. France has been constantly carrying on her policy of accumulation of gold till to-day, the Bank of France has got over 600 million worth of gold. It is a well-known fact that there rests in the vaults of the Federal Bank of the United States of America huge stocks of this precious metal variously estimated at 2,000 million sterling. If we add the gold stocks of all the National Banks of these 3 great powers together we find they hold something like 60 per cent of the available gold supply of the world, and these are the people who range themselves opposite to the views denounced by the Finance Member. Surely there is something wrong somewhere, and I leave you to decide for yourselves as to who is right. But apart from this the peculiar character of hoarding would have been fundamentally changed if the Finance Member had bought this gold for the Government of India and retained it for the Treasury in consolidation as well as further integrity of the metallic portion of the Paper Currency Reserve. Let us see what is the actual state of affairs. I will analyse the assets of the Paper Currency Reserve before the Controller started his ruthless policy of deflation through the series of years upto this month :—

In March.	1926	1929	1930	1931	1932
Silver coin ..	.. 77.25	94.27	105.44	115.00	102.00
Silver Bullion	.. 7.00	4.74	2.16	6.00	8.00
Gold	.. 22.00	32.00	32.00	23.00	5.00
Note Circulation	..193.24	191.54	181.71	158.30	180.71

You will observe that against the palmy days of 1929-30 when Paper Currency boasted of gold of 32 crores in its vaults she can only show 5 crores to-day. You naturally will ask what has happened to the balance ; it has been exported from time to time to bolstering up to 1-6 exchange the legacy of his predecessor Basil Blackett. I have shown earlier how India has lost over 150 crores of gold in the hopeless exchange muddles and the loss of 28 crores formed the part of it. The Finance Member therefore must have at least 30 crores gold to bring up the gold portion of the Paper Currency,

though I must sound a note of warning that the gold backing of our currency to-day is weaker than 1914 and taking the note circulation it is weaker than as far back as 1901 when silver enjoyed a place next to gold and its price as compared to that of gold was not so disproportionately out as it is to-day, despite this we find it holding a very high place in the constitution of P. C. Reserve and I leave you gentlemen to ponder over its implication. We have always been incessantly clamouring for a Reserve Bank. When are we going to have it, so that we may know exactly how the credit arrangements of this country are being managed. For that you must have a nucleus of 30 crores worth of gold. Mr. Brayne indicated in the Council of State it would require a minimum stock of about 30 crores compared with a 150 million which the Bank of England has been sedulously maintaining, this 30 crores looks grossly under-estimated but granting this figure the Government of India to-day are 60 crores worth of gold short in their reserves, and here we find a heaven-sent opportunity not only neglected but actually thrown away for recruiting the depleted yellow metal portion of the Government Treasury. You want at least 65 crores worth of gold to be in the country. Here is an opportunity full of potentialities. The rupee having performed the potential function of saving British credit which was at one time in great peril, the rupee having helped the economic reconstruction and convalescence of the world at large, I say now is the time for the Finance Member to revise his policy and recast it on a new orientation. He has the good of India at his heart as witnessed by his generous impulse when he delinked the rupee from the sterling last year when England went off the gold standard, but was promptly held up by high authorities and re-echoed the policy of the Secretary of State for India relinking rupee to sterling. It is not yet too late to repair the damage done, and I would suggest the Federation to pass this Resolution urging upon the Governor-General in Council and the Members of the Legislature to control if not entirely to prohibit the export of gold and to take immediate steps for acquiring the 60 crores of rupees worth of gold which is lacking in the Indian Treasury. With these words, I commend this Resolution for your acceptance.

Mr. B. S. Dabke (Maharashtra Chamber of Commerce Bombay), in supporting the Resolution said :—

Mr. President and Gentlemen,—I rise to support the resolution and while doing so, I propose mainly to confine myself to some aspects of this question and to try to reply to the points raised by the Hon'ble the Finance Member in his speech while introducing, in the Legislative Assembly, the Budget proposals for 1932-33.

In para. 68 of his Budget speech the Hon'ble Sir George Schuster admitted that India is not entirely on a par with a modern Western country. Except in a few large towns there is no fully developed money market or credit machinery. In the vast areas of the country-side the organization is still

on ancient lines and the possibilities of variation in the absorption of currency are comparatively large. In other words, the people in India, unlike those in the advanced Western countries, have perforce to use metallic currency and also gold and gold ornaments and jewellery as a store of value. There are, therefore, it will be seen, really no gold hoards which can be sold away for profits.

From what I will add you will find that it is not easy to follow the Hon'ble the Finance Member, when he says that our gold holding has largely increased in the current year. In the Paper currency reserve gold held against Note circulation was on 31st March 1929, 1930 and 1931 and on 29th February 1932 as under :—

GOLD.

31st March 1929	..	..	.. 32,22,00,000
31st March 1930	..	..	.. 32,27,00,000
31st March 1931	..	..	.. 25,84,00,000
29th February 1932	..	..	.. 4,91,84,063

The Gold Standard Reserve on 31st January 1932 contains £40 millions, out of which over £29 millions are in gold (over 27 millions in India and 2 millions in England) and about £11 millions are in Sterling Securities in London. But as sterling is divorced from gold, the Securities held in the Gold Standard Reserve are not equivalent to gold and they are depreciated considerably. Thus it will be seen that our gold holding is materially reduced more than what it was on the 31st March 1931.

India has neither to pay war debts like the Allied and Associated powers nor Reparations like Germany. India usually not only pays interest and debts by means of her exports but she is always in a position to draw gold from foreign countries by the surplus of her exports. The present gold exports are not going for settling her foreign obligations except for a small amount and hence they are not justified. These gold exports are a dead loss to the country when the need of their retention in the country is clear as she has to start a Reserve Bank. There is the least possibility of her getting a gold loan or gold credit, if she wants to raise one from any foreign nation on a Gold standard, much less from England, which has now gone off the Gold standard.

It is never said that a country ought never to part with its gold. There is a clear fallacy in saying this, and a reference to a gold producing country like South Africa, is not quite suitable in the circumstances. The case of that country is not identical with that of India. South Africa produces gold as a commodity and that too beyond all her conceivable requirements, and as such she has to sell it. After satisfying the needs of the Government as well as of the people, as a store of value, the extra and superfluous quantity

of gold produced from the mines is exported as a commodity whereas in case of India it is going out as distress gold.

As long as the world has not found some means by better international arrangement for the better use of the available monetary stocks of gold for reducing the real value of gold as expressed in terms of commodities, or has not abandoned gold altogether as the basis of international payment, why a poor country like India that has gradually earned and accumulated her gold stocks during the last thirty years, should be made willy-nilly to part with her gold stock alone among all the rich and advanced nations of the world, at a time when, (as Sir George Schuster has said, we have hardly emerged from) what Mr. McKenna in a recent speech has called a state of "cataclysmic instability." In other words we are still in midstream and the old adage says "do not change horses in the mid-stream."

It has been urged that Government should buy gold from the people at the market rate, whatever it is, and use this opportunity to build up sufficient reserve for early starting the Reserve Bank. To this the Hon'ble the Finance Member replies that it would be a pure speculation to buy gold now for the Government, as the currency is divorced from gold. To this it may be replied that it was the Government who divorced currency from gold on their own initiative. They did not even care to consult the Legislative Assembly although it was then in session. Therefore, they cannot now use this as an argument. Even now it is considered problematical by some that whether there was any necessity for this country to go off the gold standard. But supposing that the step was a desirable one then the Government ought not to have repealed the Gold Ordinance No. 6 of 1931 and forced on the country at the dictation of the Secretary of State for India the sale of Sterling Ordinance No. 7 of 1931.

The Government could not, we are told, afford to buy and hold all the gold which is now being offered, for it has its own external obligations. But India's external obligations, it may be said, are restricted to England alone. The promise of financial help made by the premier last July, through the British Parliament and paraded every now and then in the Legislative Assembly should have been utilised for the purchase of the gold offered for sale. Of what use is a promise, if it can never be fulfilled ?

We are told that we are indirectly acquiring Sterling Securities against the gold exports so far as the proceeds are not required to meet the balance of payments due on private account, and that as far as our financial position permits of it we shall use these securities to increase our currency reserves. But the Sterling Securities that are acquired against the gold exports are utilised for remittances to the Secretary of State, and for repaying loans, and are not ear-marked for increasing our currency reserves that would have at least served as a silver lining to the black cloud of the exports of gold.

During the last year alone, no less than £ 23 millions were withdrawn from the Paper Currency Reserve—partly for the Secretary of State and partly for maintaining 18d. ratio. It is, therefore, necessary that the surplus remittance,—which stands now at about £ 15 million—should be devoted to replenishing the Paper Currency Reserve.

The Finance Member observed that "Fortunately we have no need to impose any control over exchange operations in India to-day. I say, fortunately because nothing is more damaging to commerce than that." The least said of this is better. The spokesman of the Government of India that have promulgated the sale of Sterling Ordinance No. 7 of 1931 and thereby put restrictions on the free-play of the course of exchange and have allowed free export of gold against the unanimous opinion of the mercantile community of India, but have forbidden import of gold and silver and have linked Rupee to Sterling for reasons best known to themselves, should have hesitated to give vent to such expressions.

The Finance Member, has ridiculed what some critics of the Government of India often speak that the interests of Government are somehow different to the interests of the country in matters financial. But the unconscious admissions by important Cabinet members such as Mr. Runciman and Mr. Chamberlain that India has saved England in her hour of need, and the repeal of the Gold Ordinance No. 6 of 1931 in a summary manner at the dictation of the Secretary of State for India give ample food for thought that the authorities concerned have subordinated the interests of Delhi to those of White Hall.

With these remarks, I commend the Resolution for the acceptance of the House and I hope that it will be carried unanimously.

Mr. A. R. Bhat, M. Com., (Deccan Merchants' Association, Bombay) in supporting the resolution said :—

Mr. President, already four speakers have spoken on this resolution and there is very little left for me to say by way of any arguments. The mover of the Resolution as also those that followed him have shown that, although there is some technical difference between monetary gold and commodity gold, yet ultimately in national finances there cannot be any difference between hoarded gold and the gold in the reserve, because when a truly national Reserve Bank is established in this country and when the investment habit among the people is developed a good deal of the gold that is at present in the hoard is likely to move to the vaults of the Reserve Bank. They have, also, shown how exports of gold from this country have been a source of strength to the depreciated sterling and how the interests of this country have been subordinated to those of Great Britain. I do not propose to say anything on these points.

There is one point however to which I should like to refer first and that is about the charge of playing a double game and inconsistency made by the Finance Member and repeated by some Anglo-Indian journals against the Indian Mercantile Associations because they made a demand for an embargo on gold exports while some Indian merchants exported gold. Sir, I must first say that all honour to Indian Merchants because although they could have made tons of profits by exporting gold, they, generally, have scrupulously avoided dealing in the same. (A Member: Question ?). Inspite of this, because a microscopically small section of the Indian Mercantile Community engaged in the export of gold the Finance Member has tried to ridicule the demand for an embargo on the exports of gold. He has come forward and said that some Indian Merchants' Chambers were making a demand that an embargo should be placed on the export of gold while some Indian merchants though members of these chambers were themselves exporting gold. Sir, there is nothing amazing in the demand of Indian Merchants Chambers and the action of some of the Indian Merchants. Here is, Sir, a case which every-body knows, comes within the purview of administrative action. Those conversant with politics and economics understand that whenever there is a conflict between the private interests of individual and social interests there is a clear case for legislation. Let us for instance take the question of forests. When there is no conservation of forests some members of society are sure to cut them down inspite of their utility because it pays them to do so. In order to preserve the forests the Government have made legislation. The case of gold exports is similar. Inspite of the desirability of not exporting gold some merchants might have exported it because it must have suited their own individual interests. The Finance Member cannot therefore logically say that the action of some of the Indian Merchants who exported gold justified his policy of "Laissez Faire" in the matter of gold exports. By not placing an embargo on gold exports he is showing his ignorance about the principles of politics. Perhaps such ignorance suits the convenience of many a Britsh administrator in this country.

So far as the Indian Merchants that exported gold are concerned I may say that they do not deserve to be blamed or ridiculed because while the British Exchange Banks which are at present exporting gold are taking away all the profits to their own country the profits which a few Indian merchants might have made on the export of gold have remained in the country.

Then, Sir, I should like to refer to the remarks which were made by Mr. Brayne, the Finance Secretary of the Government of India, in the Council of State. Only the other day, when a similar resolution was moved in the Council of State urging the Government to put restrictions on the exports of gold and to purchase gold in the open market with a view to conserve the gold resources of the country, Mr. Brayne, while opposing it, is reported to have said that as and when the Reserve Bank would come into existence it

would be on the model which was proposed by Sir Basil Blackett, that India had sufficient gold bullion reserve as required under the scheme, and that what was wanted was more sterling. Sir, Mr. Brayne has made rather a misleading statement. As is wellknown Sir Basil Blackett's scheme of Reserve Bank was based on the proposals contained in the Young Commission's Report. That Commission laid down that as a security against the liabilities of the Issue Department of the Bank there should be at least 40 per cent reserve in gold and gold securities. Mr. Brayne says that India has got sufficient gold reserve. There is at present gold worth 39 crores of rupees in the Gold Standard Reserve and worth Rs. 5 crores in the Paper Currency Reserve. Is this Gold Reserve sufficient ? If Mr. Brayne had read correctly the definition of "gold securities" laid down by the Young Commission he would not have made the bold statement that the Government had sufficient gold. It seems he has not followed the definition of "gold securities" laid down by the Young Commission. The Commission has laid down that for the purpose of the Reserve Bank gold securities are those securities the capital and interest of which shall be payable in a Currency which will be changeable into gold on demand and exportable in that form. I think Mr. Brayne should not require any further elucidation of that definition. Since there has been a divorce of sterling from Gold, sterling securities cannot form part of the gold reserve to be maintained against the liabilities of the Issue Department of the Bank. If the Reserve Bank is to be formed today the liabilities of the Issue Department would be about Rs. 180 crores being the amount of notes in circulation plus Rs. 50 crores to be provided for against the outstanding rupees as per recommendations of the Young Commission and 40 per cent of these liabilities comes to Rs. 92 crores and that is the very minimum gold reserve that would have to be maintained. For the Bank to function, however, a larger reserve will have to be kept. The Reserve Bank therefore must have a gold reserve to the extent of at least about 100 crores. As the Government to-day have only Rs. 44 crores they must come into the open market and purchase more gold bullion worth at least about Rs. 56 crores and not sterling securities as Mr. Brayne has said. I am sure so long as the distress gold is coming to the market—thanks to the present system of administration—the Government will be in a position to strengthen the gold reserves of the country so much so that they will not only have sufficient gold to start the Reserve Bank but also to meet their external liabilities if need be. Sir, they ought to have begun purchasing gold in the open market long long ago. Although it is late enough it is not yet too late to right the past wrong. Let them come forward, put an embargo on gold exports and purchase gold as demanded both by the Indian Mercantile Community and the public. Sir, if they do not do it they will have only furnished one more substantial proof of the charge levelled against them that they are callous to the economic interests of India. Sir, with these words, I support the resolution. (Applause.)

The Resolution was unanimously adopted.

The Chairman : We will come to Resolution No. 2 on exchange policy later on, probably to-morrow.

PUBLIC DEBT OF INDIA.

The Chairman : I beg to move :—

" The Federation strongly recommends to the Government of India the appointment of a Tribunal for an impartial and thorough investigation into the financial obligations between Great Britain and India."

Mr. A. D. Shroff : I beg to move a slight amendment, namely, to substitute the words "His Majesty's Government " for the words "Government of India," because it is a question between India and Great Britain and naturally we must recommend to His Majesty's Government and not to the Government of India.

Mr. B. Das : I do not agree with my friend Mr. Shroff. This is a new innovation. We have never recommended to His Majesty's Government ; we have always asked the Government of India to carry out the intentions of this Federation. It is a new change in our outlook. I do not want that a resolution which has been sent by member bodies and approved by the Committee should be tampered with.

Mr. A. D. Shroff : Then may I suggest the words—Sir, Purshotamdas Thakurdas has as a matter of fact suggested them to me—" to press for" to be inserted before the word "appointment" ? That will meet Mr. Das's objection.

The House agreed to the amendment.

The following resolution, as amended by inserting the words "to press for" before the word "appointment," was unanimously adopted.

"The Federation strongly recommends to the Government of India to press for the appointment of a Tribunal for an impartial and thorough investigation into the financial obligations between Great Britain and India."

AVIATION.

Mr. Gaganvihari L. Mehta (Indian Chamber of Commerce, Calcutta) : I beg to move :

"That this Federation is of opinion that in any scheme for the development of civil aviation in this country, the Government will strictly adhere to the conditions laid down by them about reserving a substantial majority—75

per cent—of share capital and directorate for Indians and of affording training and employment to Indians in all branches of its works and will not relax these conditions on any account."

The resolution is self-explanatory, and I do not think it needs many words from me for your acceptance.

So far as aviation for internal communications is concerned, the Central Legislature have approved and the Government of India have adopted the principle of reserving the majority of share capital and directorate for Indians and of affording training facilities and employment to Indians in all branches of its works. These conditions are not only in accordance with the aim underlying the general policy of discriminating protection laid down by the Government of India as an outcome of the Fiscal Commission, but have the sanction of the External Capital Committee which definitely recommended the imposition of specific stipulations for safeguarding Indian interests whenever pecuniary assistance in the shape of bounties or subsidies is granted by the Government.

Trade conditions and the financial position of the Government have compelled the Government of India to slacken the pace of the programme of civil aviation. The Associated Chambers of Commerce have become critical towards this delay and at their last annual session in Calcutta in December, they passed a resolution deploring the slow progress made in the development of civil aviation particularly on the trans-Atlantic route and urging immediate steps towards the inauguration of an air mail service between Karachi and Bombay. With a view to hasten this progress, the resolution further suggested that pending any other air facilities, arrangements should be made by Government with **any available service** for the conveyance of air mails between India and Burma so as to ensure service. The Associated Chambers, it appears, are in favour of political separation between Burma and India, but closer aerial and commercial contact and relationship. (Laughter.)

It is well known that civil aviation is no mere commercial proposition. There is in this question a preponderant element of imperial politics. Air transport constitutes an invaluable link in empire communications, and it is for this reason that it is being subsidised and encouraged by the various Governments in the Empire, and its rapid development is being demanded by our friends who think imperially. Fortunately, they have at the head of the Government a Secretary of State for India who is an expert in airways and one of whose claims to the India Office rested on the fact that he flew to India in an aeroplane. (Laughter). He has always had ambitious schemes for covering the Empire with air service. It is possible therefore that he might be sympathetic to the proposals for a speedy development of civil aviation propounded and urged by our friends. And we have no doubt

that he would soon make caravans fly while the dogs are locked up. (Laughter.)

It might be argued that the scheme suggested by the Associated Chambers is only a temporary expedient pending the emergence of permanent facilities. But temporary devices have a knack of becoming permanent in this country. We are still in the period of transition in which we were placed by Mr. Montagu. Moreover, let us not forget that if ever there was a key industry civil aviation is one. Commercial air fleets are an auxilliary to military aircraft, and would serve as reserve in periods of emergency. That is the principal reason why Governments all over the world are subsidising civil aviation. Secondly, let us remember, once a non-Indian enterprise of this kind is established, it will be very difficult to regulate its conduct subsequently for the safeguarding of national interests. The case of paper mill industry is apposite in this connection. Sir George Rainy, it will be remembered, refused to impose any stipulations about Indianisation on the existing paper mills on the ground that they had already enjoyed protection and conditions may only be laid down in the case of new industries to which protection is given.

Before I conclude, I would draw your attention to two points on this question. The main purpose of the resolution is that the controlling interest should be in the hands of Indians. It lays down conditions about share capital and directorate. If there is any managing agency, the controlling interest should be in the hands of Indians and if there is a managing director he should be an Indian. Secondly, regarding the training and employment of Indians, it implies that training facilities should be provided to Indians, and there should be immediate employment of trained Indians. Lastly, I would say that the General Purposes Sub-Committee of the Retrenchment Advisory Committee was also of this opinion. The conditions upon which the Sub-Committee has unanimously agreed to propose that the contemplated State Air Service should be held in abeyance are that no non-Indian commercial concern should be allowed to be started as the Indian link in an east and west through air run. The Sub-Committee is generally of the view that it is unlikely that the Government of India in the present financial circumstances throughout the world, will be faced at any early date with the alternative of either instituting or having to accept the establishment of a non-Indian controlled service.

But this is the most important part of their recommendation : "Should however such an issue arise at any stage, the Sub-Committee recommends that the Government of India should unhesitatingly adopt the former course and proceed with the institution of a State Air Service." Not merely satisfied with that, they even laid down certain retaliatory measures which the Government could and should adopt. They said :

"But against pressure and threats from any powerful non-Indian commercial interest, the Sub-Committee considers that the Government of India, at the limit of withdrawing all their ground organisation and meteorological facilities (the latter up to the borders of Persia) are not without effective weapons."

With these words I commend this Resolution to the acceptance of the House.

Lt. Sardar P. S. Sodhbans (Indian Chamber of Commerce, Lahore):

I have been asked to second the Resolution. Had I known that I was to second this Resolution I would have collected the necessary material. I am therefore handicapped but still I have to say something on this Resolution. I have got some recent experience of how civil aviation is encouraged by the Government of India. The Government of India is granting subsidies to the various aero clubs in India, so that airmindedness may be created amongst the people of India. No doubt this has helped our young men to learn aviation in different parts of the country but the difficulty has recently arisen with regard to those young men who considered that civil aviation is going to be an important vocation of life and therefore they went to foreign countries to learn ground engineering and pilot and instructor course. In the Punjab I had a chance of acting as a Secretary of the Aero Club and there we employed an European pilot instructor and an European ground engineer and by chance they resigned. We employed Indians and they were not recognised by the Director of Civil Aviation, not on account of the fact that they were Indians but on account of the fact that they did not possess sufficient knowledge and experience as required by the Government. These young men went to England. They got their qualification as pilots and instructors and they got certificates from the air ministry but as soon as they landed in India, they were not considered qualified to train young men in India. It was in reality a great trouble for them because they incurred heavy expense. They went to foreign countries and when they came back they did not get employment. This happened in many cases where Indians after receiving training have not been able to get any appointment and even when they got appointments, it was only as subordinates. No doubt in civil aviation we have got to employ very efficient men because the lives of those who fly are entrusted to them but the difficulty is how to train these young men who are considered to have insufficient training. At the recent conference of the aero clubs of India, I pointed out to the Director of Civil Aviation and others that it would be a great hardship to these young men who had been to England, got their training and came back and then to go to England for further training. They did not agree to their being trained in any of the clubs in India, because I was in a hopeless minority. This is the trouble of our young men. They are unable to get employment. All the same that is a handicap on one side. On the other hand I

find that those young men who were considered to have received good training were being offered employment. Recently a young man named Mr. Gurdial Singh has been employed as an Inspector of Civil Aerodromes and there are two or three other young men who are receiving training in England. I do not know what is going to be their fate. Unless our young men, who receive training in all branches and get certificates from the Air Ministry, are appointed, there will naturally be discontent not only among these young men but among their parents also who spent thousands and thousands of rupees on their education. As regards 75 per cent of the share capital, I have nothing to say because Mr. Mehta has already dealt with that subject sufficiently well. I have therefore much pleasure in supporting this Resolution.

The Resolution was then put to the vote and declared carried.

ROADS.

Mr. M. L. Dahanukar (Maharashtra Chamber of Commerce, Bombay) :

* I rise to move the Resolution on Roads. It reads as follows :—

"The Federation is of opinion that the Government of India in allotting funds out of the receipts of petrol tax for construction of roads to Provincial Road Boards should issue definite instructions to the Boards for constructing only cement concrete roads wherever needed in the country in preference to asphalt road even at some higher cost as construction of cement roads would give an impetus to indigenous industries, stimulate transport and increase employment in the country."

You will find slight verbal changes in the wording of the Resolution. I have changed 'slightly' into 'some' and for 'an indigenous industry' I have substituted 'indigenous industries'. Although little research work is so far done in this country with regard to road, 'road surfaces' experience of other countries will be useful to this country in coming to a decision on such a vital aspect of the problem of road construction. This question has to-day assumed an importance which it did not possess before due to the heavy increase in vehicular, especially, the automobile traffic and also due to the great impetus the same has given to the movement of men and goods all over the country, opening up in some cases tracts which were hitherto far removed from populated areas. It can be said that the automobile has produced a veritable revolution in transport and its effects have already begun to be apparent. It looks as if it has thrown a challenge to the Railways the world over. Anyway it has brought to the forefront the question of road surface, the problem of a smooth, strong, durable and economic road surface. It may be said that this problem was only recently solved after the development of cement concrete as a road surfacing material.

* Not corrected.

I need not emphasise the very great necessity of the authorities concerned taking the right decision in the matter when the road system of this country is about to enter upon a new phase of development. It is therefore but right that an important body like this Federation should express its views on this question by means of a Resolution.

The Bates Road tests carried out in the State of Illinois in the United States of America, where the Director of the Department of Public Works and Building, the Superintendent of Highways, and the Chief Highway Engineer were in charge of the test has conclusively proved that the concrete road is one of the best fitted to meet the requirements of the modern traffic. The Bates tests have proved the strength of the concrete roads. That these have been in continuous service for over 20 years proves their durability and the small cost of maintenance makes them economical. Other things being equal the strength of a road and its resistance to impact are the principal factors in its durability.

I am aware that it is said in certain quarters that the cost of cement concrete roads is a bit higher than that of the asphalted roads. I would only say in this connection that this view is controverted and that engineering opinion on this is divided. There is, however, one point which I would like to specially mention and it is this. We must look to what is the ultimate and not the initial or immediate cost. This apart I may go even a step further and say that there is an additional reason why we should have cement concrete roads in preference to asphalt roads so long as the asphalt is not an indigenous product in this country, in that we can thereby keep almost all the money spent on roads in the country itself, a thing which is from every point of view desirable. What is observed with regard to cement roads by so eminent an authority as Nawab Karmat Jung Bahadur, Chief Engineer, H. E. H. the Nizam's dominions with regard to Hyderabad State is to my mind equally true of the rest of India. It will mean encouragement not only to the Indian cement industry but it will mean more traffic for our railways, a consideration by no means to be ignored and it means also an employment for engineers and others at a time when Government, their Public Works Department and the Railways have all cut down the constructional programme on account of financial stringency. I may mention that every ton of cement used means a demand for half a ton of coal for its manufacture and a demand of 20 bags to pack it and this is bound to have some healthy effect on the coal and jute industries. It may be also pointed out that cement concrete roads can be designed to meet the exigencies of almost any climatic conditions and they have withstood a large range of temperature in the United States of America and Canada. Rain and frost have no injurious effect and unlike the asphalt roads they do not become slippery in the rains or hot in the summer. It will also be interesting to know that cement concrete construction of roads is gradually increasing in America, England and Germany and it is attracting attention elsewhere, The United

States and Britain respectively have approximately 112,000 miles and 3,000 miles of cement concrete roads out of the total mileage of 140,000 and 120,000 of metalled roads. Germany has planned some 1,000 kilometres in the year 1930 and as time passes on there is reason to believe that these will increase.

It is I should think only fair, in view of what I have said so far, that the authorities concerned should see that only cement concrete roads are made wherever even better roads or better road-surfaces are needed and the money which has been contributed by the petrol consumers should be spent on the produce of an indigenous industry.

With these words, gentlemen, I commend my proposition for your unanimous acceptance.

Mr. Anandji Haridas (Indian Chamber of Commerce, Calcutta):

* Mr. Chairman and gentlemen, the need for the development of road transport and the important part that road transport is going to play in the future economic development of the country is apparent to every student of economics. But if we are going to have a great development of roads in the country, we must certainly also see that the money spent on road development remains as far as possible in the country to confer further benefits on the people. The proposition placed before this house by my friend, Mr. Dahanukar, is really one which will meet with the acceptance of all sections of the community. As in other matters so in the matter of the development of roads, we have been blindly following the practice of other countries. We import heavy quantities of asphalt without considering the requirements of the country and the capacity of the country to spend so much money. I am not, Sir, opposed to imports *qua* imports, but when imports mean substituting something which could be had in the country, it is certainly a wrong done to the country, and steps must be taken to put it right as quickly as possible. I should have liked to have this resolution amplified a bit so that the Federation could draw the attention of municipalities and local bodies in India also to the need of giving preference to cement concrete or other indigenous articles in place of asphalt. Asphalt is not suitable to the requirements of the country, as many of us must have noticed, in the hot weather. Sometimes, when the heat is very great, as we all know, asphalt gets very sticky and animals find it very hard to draw heavy loads on asphalt surfaces. Therefore, if the use of asphalt is diminished and asphalt is replaced by cement concrete or stone sets, it will certainly mean a benefit to the country; and at the same time it will be advantageous to the public using the roads. With these words, Sir, I commend the resolution to the acceptance of the House.

Mr. P. C. Coomar (Bengal National Chamber of Commerce, Calcutta):

* Not corrected.

Sir, while cordially supporting the resolution moved, I may also point out that the percentage of cost of asphalt is very little in comparison with cement concrete, and that the life of a cement-concrete road is much longer. Also a cement concrete road will give much better facilities to motor services. By reducing expenses, that will also help the motor industry as well as give a chance to the public for pressing for the reduction of the railway rates. The money coming out of the motor men, that is the petrol tax, should of course be utilised to the advantage of the motor industry. Such advantage will be very little if we take to the asphalt road in comparison with the cement-concrete road ; also, I may point out, motor traffic on the asphalt road is impeded as compared with the cement road and the asphalt road soon becomes much worse than the cement road. With these words, I support the resolution.

Lieutenant Sardar Prem Singh Sodhbans (Indian Chamber of Commerce, Lahore) :

Mr. President, By way of an amendment, I want "cement concrete as well as coal tar produced in India" to be inserted, because in the Punjab we are not having asphalt but coal tar for all the roads. Therefore I would recommend that the words "coal tar" may be used in addition to "cement concrete". If the addition of "coal tar" does not commend itself to the House, then I oppose the resolution.

The Chairman : As regards the inclusion of coal tar, Sardar Sodhbans can send in a resolution suggesting to the Executive Committee the adoption of his proposal and the Executive Committee will then go into it and do the needful on the merits of the case. But to include this as an amendment at this stage would be difficult. Our convention has been, particularly in the case of those resolutions that have been suggested by various Chambers, not to make any amendments therein, except verbal changes that might improve the wording as we have had some amendments of this nature to deal with to-day. The whole idea here has been not to exclude any indigenous material. The underlying principle is that the proceeds of the petrol tax should be spent on making roads of macadum or of cement or of some other material of local produce. If Sardar Sodhbans wants to make a special mention of coal tar, he might make that suggestion to the Executive Committee and the latter, after going into the merits of the question, will do all that they can to help him.

The resolution was put to vote and carried unanimously.

Mr. Fakirjee Cowasjee : May I suggest that this resolution with the contents of the speeches made may be sent to all the municipalities in India and also to district boards, as it is a vital question.

PORT TRUST BOARDS.

The Chairman: We come now to resolution No. 6 relating to Port Trust Boards.

"In view of the constitutional handicap of the Indian members of the various Port Trusts who are helpless against the overwhelming number of their European colleagues in any important decision regarding the control of affairs of these quasi-public institutions, such as may be considered imperative by them in the interest of sound and efficient management and on which public opinion especially of the Indian sections of the commercial community is insistent, the Federation desires to impress upon Government the imperative necessity of immediately revising the constitutions of Port Trusts of the various major ports of India, their powers and functions with a view to secure predominant representation and control to Indian interests in all such bodies. The Federation further strongly urges upon Government to appoint only Indians in the posts of Chairman and Vice-Chairman of the various Port Trusts whenever vacancies occur in the future."

MEASUREMENT OF CARGO AT PORTS.

Mr. S. H. Lulla (Karachi Indian Merchants' Association):

Mr. President and gentlemen, the resolution which I have the privilege to commend to the acceptance of this meeting runs as follows:—

The Federation strongly protests against the attitude of certain Steamship Companies which grant monopoly to single institution at every port in the matter of control of measurement of consignments, resulting in the realization of large income from the general traders and urges upon Government to appoint at all major ports a Board comprising representatives of local commercial and shipping interests for the purpose of carrying on measurement work at the minimum charges.

Since this resolution has come up for the first time before this Federation, it is perhaps necessary that I should give you a little of the genesis of the question to show why this question has become one of importance. You know that several contracts of affreightment provide that the freight shall be charged according to the space the cargo occupies. The monopoly for the measurement of the cargo is enjoyed, as a matter of fact, at all major ports by the Chambers of Commerce. In 1929 a member of the Karachi Indian Merchants Association approached the constituency I here represent for a certificate as to the measurements. The Karachi Indian Merchants Association replied that it had no arrangements for certifying to these measurements. The member wished that the Association should make the necessary arrangements for the purpose. The Karachi Indian Merchants Association made

inquiries into the practice that prevailed at Bombay and Calcutta and they were informed that at each of the ports a monopoly of this was enjoyed by the respective Chambers of Commerce. Having found this, it was necessary to find some remedy for this state of things, which was obviously an evil. They therefore approached the Chamber of Commerce first. The Chamber of Commerce were told that the charges were heavy in the first instance: The Chamber, after some consideration, reduced the charge from one anna to three pice per each bale. This was not found satisfactory. The Indian Merchants Association and the Buyers and Shippers Chamber, Karachi, then combined and told the Karachi Chamber of Commerce jointly that they must have a share in the control of this business, and further that the charge, which was half an anna before the war, was more than reasonable. But the Chamber of Commerce declined to do anything in the matter. A joint committee of the two Indian Chambers at Karachi was thereupon appointed to look into the matter and that committee communicated first with various shipping companies. Amongst the shipping companies that were addressed were the Italian line, the Hansa line and Grahams. They declined to do anything in the matter, and they said that the arrangements had worked so long and were not at all unsatisfactory from their point of view and needed no alteration. The Karachi Indian Merchants Association and the Buyers and Shippers Chamber at Karachi thought however that the system certainly had worked prejudicially to the Indian trade and needed alteration. No alteration might be called for strictly from the point of view of the shipping companies who combined to maintain a monopoly of a certain thing in the Chamber of Commerce but certainly it was not acceptable to the Indian trade, and the charge levied was certainly high having regard to the narrow margin of profit that the merchants could make. When we found that they could not do anything in the matter, we felt that this was an instance where it was necessary for the Federation to intervene and bring about some redress of the grievance. It is not at all a difficult question, but the Chamber of Commerce is averse to any alteration. I shall give you certain figures as to their income at the port of Karachi from this.

In 1927 the total income of the Chamber of Commerce, Karachi, was Rs. 60,632-12-11, out of which the measurements contributed Rs. 34,772-10-0,—that is, out of Rs. 60,000, Rs. 34,000. In 1928 the toal income of the Chamber of Commerce was Rs. 68,385-1-9, and the measurements contributed Rs. 41,267-4-0.

In 1929 the total income was Rs. 70,199-10-2 and the measurement work contributed Rs. 41,341-14-0. In 1930, the total income was Rs. 67,397-13-5, out of which the mesurement contributed Rs. 39,632-2-0. When you have these figures before you, you can easily understand and see why the Chamber of Commerce are so averse to alteration in the monopoly which they have so long enjoyed and which they are naturally so unwilling to let go and which the Indian merchants do not see why it should continue any longer. What

is the remedy that the Federation asks you to accept ? This is certainly an evil which needs some remedy. The remedy we suggest is that the Government must intervene and maintain at each port a body to do this work. Now, it might be said, and I must deal with that argument, that there are not qualified persons to do this work amongst Indians here. I say, no. This is not true. We are prepared to make as satisfactory an arrangement as the shipping companies may require, in fact as satisfactory an arrangement as exists in Karachi and I am sure similar arrangements can be made at the ports of Bombay, Calcutta, Madras and elsewhere. There will be no difficulty on that score. We undertake to make the necessary arrangements. We do not suggest that we should have a monopoly of it. We first of all suggested to the Chambers of Commerce and we are certainly willing to accept if it comes, that it should be a joint venture or combine. Now, it is not that there are no institutions where the Indian mercantile bodies and the Chambers of Commerce work together in Karachi. We have the joint cotton committee which we got after a long agitation and a great deal of struggle and that has been working quite satisfactorily and there is absolutely no reason why this institution should not work equally satisfactorily, so that it is quite possible to do it. If it is not, then we say that the Government must intervene to maintain a Board composed of Members from the commercial bodies, as well as from the steamship companies. This will work well. It would solve every difficulty. The European Chambers of Commerce who watch mainly the foreign interests will no longer have a monopoly in future. I say this is a fit case in which this Federation should ask for assistance from Government. Now, it might be said that it would be necessary to have qualified surveyors. Certainly with the advent of the Dufferin cadets, there will be no difficulty on that score. Even apart from that, we have a sufficient number of them in our country at present to supply the demand that we feel for them. There is absolutely no reason except the attitude of the shipping companies and the Chambers of Commerce who do not wish to forego or let go a large income which they enjoyed and the shipping companies do not want to allow the monopoly to go out of the hands of the Chambers of Commerce. This is an illustration of discrimination which needs intervention of the Government at an early date. With these words, I commend the Resolution for the acceptance of the House.

Mr. S. C. Mazumdar, (East India Jute Association, Calcutta): Sir, my friend's Resolution is a fit one for the Federation to adopt and act upon it. It has all along been a sort of monopoly for the European Chambers of Commerce throughout, to enjoy the privilege and benefit out of it. In fact this question of measurement should be a sort of Government control and not under the control of any particular Chamber of Commerce. Of course it had been their monopoly throughout but we do not want the present stage of things to continue any longer, particularly when their attitude is to discriminate between Indian shippers and Europeah shippers. Most of the merchants either exporters or importers are Indian, and as such there

is no reason why they should submit to the European Chamber of Commerce for this kind of work,—I think it is a fit case that the Government of India should appoint a Board, and even in England it is the Board of Trade that regulates measurements of cargo at the ports and derive a large income. I therefore think that there should be a Board constituted by the Government of India to regulate measurements in ports. Then again as my friend already suggested, there is a lot of discrimination made by the European Chambers of Commerce, who are in League with the European Shipping Companies not to accept measurement certificate granted by Indian Chamber of Commerce. You might also remember, gentlemen, that in the case of exchange banks also, the same difficulty was experienced. Some exchange banks have been refusing to accept Indian insurance companies' policies. These Indian insurance companies are fighting out the matter and I hope they will succeed later on. In this case also, it should not be left to the particular Chamber of Commerce but it should be left to the Board constituted by the Government of India. Apart from that question, the huge income thus derived from these measurements should be enjoyed either by the Government of India or by the Board, whatever body might control this work and not by a particular chamber. With these words, gentlemen, I beg to second the Resolution.

The Chairman: The question is that the Resolution No. 7 be adopted.

The Resolution was adopted by the House.

The Chairman: Resolution No. 8, re: Aden: It is understood that this is already an accomplished fact. Mr. Husseinbhoy Lalji said that when he would come here again, he would say whether it was necessary to move the Resolution. Unfortunately he has not been able to come here. As the transfer of Aden has already been effected, there is nothing more to be done at this stage on this Resolution. That brings us to Resolution No. 9, re: Constitution for India. The report of our delegates to Round Table Conference was expected, while this agenda was being circulated, by now and the Federation had hoped to be able to formulate some Resolution on this subject. As however, owing to unforeseen difficulties, this report has not been received, no Resolution has been drafted at this time. As soon as the report of our Delegation is received, which we hope shortly, the Committee will go into the report and probably circulate the report to the Member-bodies and then this question be discussed.

As regards Resolution No.10, this will come up for discussion tomorrow along with the Resolution on exchange policy. That brings us to item No. 3 on the Agenda for the present, leaving these two Resolutions to be dealt with tomorrow.

ADOPTION OF THE ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR 1930-31.

Chairman : Item 3 relates to the adoption of the Fifth Annual Report and the Statement of Accounts for the year ending 30th November, 1931. These have been circulated and have been in the hands of the representatives for some time now. I beg to move that these be adopted.

"The fifth annual report and the Statement of Accounts were adopted."

REPRESENTATIVE OF THE FEDERATION IN GERMANY.

The Chairman : Item 4 in the Agenda relates to the question of extending the period of office of Dr. Chempakaraman Pillai, representative of the Federation in Berlin. Last year, at the annual meeting we agreed to appoint Dr. Pillai as our representative in Berlin for one year. The question now arises for extending his period. I would ask Sir Purshotamdas Thakurdas who happened to pass through Berlin recently and come in contact with Dr. Pillai to give us some idea of his work.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber, Bombay) : Last year it was decided upon by this Federation that Dr. Pillai should be appointed as our representative in Germany. When I was in England last October, I happened to pass through Germany on my way back to India. The two days which I spent in Berlin, I spent with Dr. Pillai. I had heard a good deal about the way in which Dr. Pillai had been working. I looked at the files and his correspondence with our various commercial bodies here and I felt that in Dr. Pillai we have a person who is very keen on being of service to our Member firms here and who really takes a correct Indian point of view as far as his limited scope is concerned. Incidentally I may also mention that he appeared to me to be well connected with the various commercial houses and big organisations in Germany and I feel that after having seen myself both of his influence there and of the work which he has done for Indian Commercial organisations, we would be doing a good thing, if we renew the arrangements for, say, another two years or so. Dr. Pillai is being paid by us about Rs. 1,500 a year and from the enquiries which he gets from this end, it struck me that most of the remuneration is taken up either in postage, which is generally not cheap now-a-days, and other expenses which must be inherent in an office of the nature of Dr. Pillai's. I feel that in Dr. Pillai we have a person who really is able to compare very favourably with the work which is being done by the Trade Commissioners in the various ports. There is one Trade Commissioner stationed at Hamburg and in some cases, I found that even this Trade Commissioner in Hamburg refers enquiries to Dr. Pillai. Dr. Pillai is very conversant with the German language and to that extent he has a great pull over the Government of India official there. I therefore feel that we would do well in retaining Dr. Pillai's

services for a couple of years more at least. Although our finances may not be very easy, yet I feel it may be worth the while of the Federation to pay a little more in order to see that Dr. Pillai is not actually out of pocket, which he claims he almost is at the present time. I would just say, if I may, one word to my friends who send enquiries from here to Dr. Pillai. If they really want to make the best use of Dr. Pillai and at the same time not be a burden on the Federation generally, definite enquiries only should be made of Dr. Pillai who should be told that the enquiring firms here would pay Dr. Pillai his out of pocket expenses, such as postage, telegraphic charges and when he has to go and see people, even his travelling expenses.

I make this suggestion on my own. I have not consulted either the President or the Committee but I do feel that a person who makes an inquiry for the purpose of advancing his business ought to pay the out of pocket expenses involved in it. And if a person or a firm who may send out inquiries like this says that he will be quite prepared to meet his bill for his out of pocket expenses, I am sure that it will be a great encouragement to Dr. Pillay and will greatly lighten his work. There are at least one or two instances which were brought to my notice and which I may usefully mention here not for the purpose of criticising any particular inquiries which were made but simply for the purpose of showing that if persons who send inquiries to Dr. Pillay really wish him to act as their agent they must resort to what is called the method of trusting him. One particular instance I know of and I saw the correspondence about it. A certain individual sent an inquiry for a certain machine to be bought from Germany. Dr. Pillay went round and got quotations for the machine and said that he was getting a discount of about 25 per cent. Having got this information the firm thought fit to place the order direct thinking that they would either get the commission direct or that they would perhaps get more. When the order was so placed naturally the bill went for the whole amount. The custom of the trade union organisation or of that guild was that a rebate or discount was to be paid only to a recognised association and when the bill was sent the buyer found to their horror that the discount did not appear there at all. They corresponded and were told that the rebate could not be given to them. Dr. Pillay was written to but he could not do anything. Another instance of a similar nature was brought to my notice. I do not want to give details as the party concerned may think that he is being accused. But I do feel that if people want to use Dr. Pillay's services fully they have to deal with him in a manner which will show that they trust him. With these words I have pleasure in strongly recommending the House to authorise the Committee to renew at their discretion the connection with Dr. Pillay either at the same remuneration or at such higher remuneration as may be thought feasible by the Committee.

Mr. Fakirjee Cowasjee, (Buyers & Shippers Chamber, Karachi): Sir, may I inquire from Sir Purshotamdas Thakurdas as to what the business

of Dr. Pillay is in Berlin ? I make this inquiry for one reason namely that if he can possibly shift his domicile from Berlin to an industrial centre like Hamburg he will certainly be assisting us greatly. It is not with a view to oppose what Sir Purshotamdas Thakurdas has said but with a view to further the cause of Indian trade in Germany which it is necessary should be extended, that I am saying this. I have had certain communications with Hamburg people and unfortunately I am not satisfied with the results I got; and I feel that if Dr. Pillay can possibly shift his domicile there it would be advantageous to the traders here. I certainly commend to all those who may enlist the services of Dr. Pillay that he should be paid his full out of pocket expenses which at times run into pounds instead of rupees. The service between India and Germany is an expensive one much more than even between England and India. This fact should not be forgotten and I personally feel that if we can possibly induce Dr. Pillay to shift his domicile from Berlin to an industrial city, we shall be much more benefited.

Mr. A. R. Siddiqi (Indian Chamber of Commerce in Great Britain, London): Sir, I want to ask if this Federation appoints non-official Trade Commissioners in any other country besides Germany and if Dr. Pillay renders these services to the Federation as a matter of charity or as a matter of generosity so that this Federation is called upon to pay only his out of pocket expenses. I want to know something more about this because I happen to know almost two dozen Indian gentlemen in Germany who claim to be commercial experts on all earthly and unearthly questions and simply because they can talk the German language they claim to be experts on all conceivable matters. I also happen to know Dr. Pillay personally. I should not like to contradict an experienced gentleman like Sir Purshotamdas Thakurdas but our association with the gentleman in the past may not lead to the happy results which Sir Purshotamdas Thakurdas may expect. Therefore before the Federation decides upon the policy of appointing non-official Trade Commissioners in foreign countries we should appoint people who have at least a commercial standing of some sort or kind. I do not call upon him to be a millionaire or any great commercial magnate. But so far as I know Dr. Pillay was appointed there as a hack orator to visit German centres and to talk on politics, and I very seriously question Dr. Pillay's capacity to express an opinion on anything commercial of any sort or kind. I would very humbly suggest,—I am not conversant with the methods of the Federation as this is my first year,—but I would very humbly suggest that our Executive Committee should go into this matter with much greater care, and then if Dr. Pillay has really rendered us valuable services, it is only our duty to reappoint him and then to pay him for the services rendered. I certainly do not like the idea of paying only his out of pocket expenses and ask him to run this charitable organisation.

Mr. S. C. Mazumdar: Cannot the same service be rendered by the Trade Commissioner now stationed at Hamburg ?

Mr. A. C. Khosla: May I ask whether he is doing his own business? If he is doing his own business, are the Federation going to support him?

Mr. Devidas H. Shah (Baroda Mill-owners Association): Sir, it is high time the Federation decides the question that was raised at the last session. The point was raised whether in appointing Dr. Pillay we were starting the custom of appointing our own Commissioners in various centres. It was not answered last time. It was asked whether we were making an experiment with Dr. Pillay in Germany and whether it was thought to continue the practice elsewhere. Most probably it was Sir Purshotamdas Thakurdas who drew attention to the fact that our finances were not so good as to enable this House to appoint Commissioners elsewhere even if we wanted to. Sir Purshotamdas alluded to the same condition of our finances at present. From this point of view I should ask this House to decide once for all whether they are going to make an experiment for two years as was suggested by Sir Purshotamdas, an experiment which if successful cannot be extended to other lands or to other persons in the same country. It is high time now for Dr. Pillay to have reported to this House after 12 months as regards the amount of work that he has done there because this House was not in a position to decide what a single individual in Germany can do. It was left to the Executive Committee to decide whether even as an experiment Dr. Pillay should be appointed. I think the Executive Committee ought to be in a position definitely to say that the experiment has succeeded. If it cannot and if Sir Purshotamdas's visit is the only exponent of his work there, I think this House will have to think twice before continuing the experiment which has not been definitely proved successful or that cannot be extended to other countries in the interest of the Indian mercantile community.

Sir Purshotamdas Thakurdas: Sir, before I say anything I hope you will request the press here to treat this discussion as purely confidential and not to report it. It is only fair to Dr. Pillay that nothing should appear in the press.

I will deal with the point raised by the last speaker first. I think there is a little misapprehension about the whole thing. It is not a question of our appointing Trade Commissioners at the various ports. It was a question of our appointing somebody who will keep us in touch with things happening there, and one who is prepared to disseminate such news regarding India as we think should be known in other countries. It is quite true that there are many countries in the world where Indian news can be usefully spread but we have not the necessary funds and it was resolved last time that an experiment should be made in Berlin. The last speaker also asked whether we have had any report from Dr. Pillay. He will perhaps remember that last year this meeting was held somewhere in the first week of April and the communication to Dr. Pillay appointing him went out from here

after that, and Dr. Pillay took charge at the earliest on the 1st May. Therefore there has not been a period of 12 months when you can expect Dr. Pillay to send his report. The Committee have called for a report of that nature and as we are to-day meeting at the end of 11 months and not 12 months after the last meeting, obviously there has not been enough time to get a report. I do not know whether the last speaker meant that I asked the House to pass this because I have been to Germany. He almost said so. Far from it. What I say I say more with the view to help the Federation to come to a decision than with a view to make you attach undue importance to what I may say. You can turn down the whole proposal if it does not meet with your approval. I am trying to do something for you and it is possible my judgment may be wrong, but I am not asking you to confirm you because I am the only exponent.

Now, as regards the point raised by my friend over there, I fully agree that in Dr. Pillay you have not got a rich man with resources or with much money. Dr. Pillay is a man who earns his daily livelihood practically by working from day to day and we did not appoint him for the purpose of helping people to get their things at a discount or for any commercial purpose. He does that only because he gets inquiries. The Federation did not send out circulars and ask the people to send out their things through Dr. Pillay. His main job there is to watch if things in India are being represented in the proper manner. Many inquiries come to him from local organisations there regarding some sort of information or other about India. He contributes to at least half a dozen newspapers and he gives replies to inquiries which he gets from the Federation. Dr. Pillay does not do this work as a charity. Much less would this Federation ask him to do it as charity. But he does claim to do the work for payment which almost pays his out of pocket expenses and may leave him a small balance. In my opinion Rs. 1,500 a year in Germany cannot mean much; and as my friend over there has been in Germany he knows that after all this sum cannot mean much there. It is not charity, but as I said that it may be necessary to pay him more if you want him to work without suffering loss.

Mr. Fakirjee Cowasjee's suggestion that they might ask Dr. Pillay if he could shift to Hamburg might be considered if they could pay Mr. Pillay more adequately and fully: the suggestion could in any case be communicated to Dr. Pillay to see if it was worth his while. The main point was that Dr. Pillay was not their commercial agent or commission agent. He merely kept them in touch with what was happening there in the political, commercial, industrial and financial world. Dr. Pillay was not anxious to do anything more than that. While in Germany he, the speaker, perceived a spirit in Dr. Pillay to be of service to members here. Hence his suggestion to send him inquiries for which they might be willing to pay. The only point they had to decide was whether they wanted this sort of link between Germany and India to exist or whether it should be stopped. If they felt that it was

not necessary to spend the money, they could stop it. But he was convinced that it was necessary to have that sort of link.

Mr. Fakirjee Cowasjee: Would you mind clearing the minds of members on one point: that it was not Dr. Pillay who approached us for this appointment, but it was suggested to us by Mr. J. K. Mehta, who had been there and in the interests of trade and commerce he suggested to us and the executive committee considered the offer for a year before recommending it to this House last year?

The Chairman: What Mr. Cowasjee says is correct. In view of the reply given by Sir Purshotamdas Thakurdas and in view of the impression left on our mind that Dr. Pillay's services have been useful for the purposes for which they were intended, I move:

"That the Executive Committee should be authorised to renew, at their discretion, the services of Dr. C. Pillay for two years on a remuneration not exceeding Rs. 1,500 a year."

The proposal was carried by a majority, four members dissenting.

COMMERCIAL DOCUMENTS

The Chairman: Regarding Item No. 5 on the agenda, the Committee have recommended the following resolution to the Annual Meeting for adoption:

"That the Federation approves of the recommendations made by the Commercial Documents Sub-Committee and authorises the Committee to forward a copy of the said Report along with the note submitted by Mr. M. A. Master to the Government of India with a request to undertake the necessary legislation as recommended in the Report."

The resolution was carried unanimously.

APPOINTMENT OF HONORARY AUDITORS

The Chairman: I move that Messrs K. S. Iyer and Co. be appointed honorary auditors for the ensuing year.

Carried.

The Session then adjourned till 10-30 a.m. on the following day, Sunday 27th March, 1932.

SECOND DAY'S PROCEEDINGS

SUNDAY, 27TH MARCH, 1932

The Session commenced at 10-30 a.m. The Vice-President, Mr. Walchand Hirachand occupied the Chair.

The Chairman: Before beginning our regular business, gentlemen, I will announce to the House the result of the election held yesterday.

President

* Mr. Walchand Hirachand

Twelve Members of the Executive Committee

1. Mr. G. D. Birla (Indian Chamber of Commerce, Calcutta). (76) †
2. Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E., (Indian Merchants' Chamber, Bombay). (74)
3. Lala Shri Ram (Delhi Factory Owners' Federation, Delhi). (73)
4. Mr. Nalini Ranjan Sarker (Bengal National Chamber of Commerce, Calcutta). (71)
5. Mr. B. Das, M.L.A., (Bihar and Orissa Chamber of Commerce, Patna). (65)
6. Mr. Kasturbhai Lalbhai (Ahmedabad Millowners' Association, Ahmedabad). (64)
7. Mr. M. L. Dahanukar (Maharashtra Chamber of Commerce, Bombay). (62)
8. Mr. Fakirjee Cowasjee (Buyers & Shippers Chamber, Karachi). (57)
9. Mr. R. K. Shanmukham Chetty, M.L.A. (Indian Chamber of Commerce, Coimbatore). (54)
10. Mr. Hooseinbhoy A. Lalljee (The Indian Salt Association, Bombay). (49)
11. Mr. M. Mohamed Ismail Saib (Southern India Skin and Hide Merchants' Association, Madras). (48)
12. Mr. J. C. Ghose (Indian Tea Planters' Association, Jalpaiguri). (44)

Honorary Treasurers

1. * Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta).
2. * Mr. R. L. Nopany (Jute Balers' Association, Calcutta).

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* Elected unopposed. † The figures in brackets indicate the number of votes secured.

Mr. G. L. Mehta : May I request you, Sir, to read out the report of the scrutinisers ?

The Chairman : There is nothing like a Report; there is a result, I understand. Usually we merely announce the final result.

Mr. H. P. Bagaria : He perhaps wants to know how many votes have been cast in favour of each member.

The Chairman : Is that the desire of the House that I should read out the number of votes given to each member ?

Mr. C. A. Buch : Will you kindly read out all the numbers ?

Mr. D. P. Khaitan : Sir, I doubt very much if it would be desirable that the votes received by members should be read cut. Let the whole House consider it. Personally I have no objection.

Mr. H. P. Bagaria : What is the convention ?

Mr. D. P. Khaitan : There is no convention. You can adopt any convention.

Mr. A. D. Shroff : I should like a settlement of the question raised by the other side, Sir, and if you are not going to give the number of votes cast for each member, I should like to know the number of votes cast for the first failure ?

The Chairman : Do you mean the name of the member who stands 13th in the List ?

Mr. A. D. Shroff : I can't see any objection at all in giving out the names of the members with the number of votes they have received.

Lala Sri Ram : I think that either you should give out the names of everybody or of none at all. I would like to know what is the object in ascertaining the names and the number of votes cast in favour of each. Personally, I have not got any strong objection, but I would like to know what useful purpose would be served by this.

Mr. A. D. Shroff : I would like to know why this claim is so strenuously resisted by the other side ?

Lala Sri Ram : Is there any 'other side' here ? (Laughter).

Mr. H. P. Bagaria: We would then know how much confidence is enjoyed by each candidate at the hands of this House, and I think the candidates are entitled to know it.

Mr. S. C. Bhattacharjee: You must have full confidence in the Chair and its declaration must be accepted without any challenge, and I do not think that any Member's request should be complied with.

Mr. Ghanshamdas Birla: I think it is absolutely absurd that such a demand should be made. The House is not entitled to know how many votes each member has secured.

Mr. Anandji Haridas: Is the House entitled to vote or not?

Mr. S. C. Bhattacharjee: I rise to a point of order, Sir. The practice in every constitutional House is for the Chairman to declare the result of successful candidates always, and so far as my knowledge of constitutional history goes, there is no precedent for giving out the names of the unsuccessful candidates.

The Chairman: The Secretary points out to me that this has not been the practice in the past. I do not see any utility in giving out the number of votes which the other candidates have secured. Therefore, I am afraid, gentlemen, you will have to rest satisfied with what we have done. I will now proceed to the business of the day.

Mr. Anandji Haridas: Though the names may not be announced today, will they be published in the Report at least?

Mr. B. Das: Last year the names were published of only those who were elected.

The Chairman: We will try to follow the practice in the past. I understand the names of the successful candidates will be published.

SILVER

The Chairman: Then as regards the Resolution on Silver, it was suggested or rather pressed that as we have lost and are still losing heavily on gold, we should try to keep silver at least which after all is better than the paper printed in Nasik, and therefore I move the Resolution on Silver from the Chair. The Resolution has been submitted, as you know, from the Bullion Exchange, Bombay, and from the Deccan Merchants' Association of Bombay. The Resolution reads:—

"The Federation regrets that the Government of India should continue their policy of silver sales in spite of continued protests from the public. The

Federation is of opinion that since the recommendations of the Hilton-Young Report are not now operative, Government should stop further sales of Silver."

The Resolution was carried unanimously.

I will now come to the next Resolution, after which the so-called political resolution No. 10 will be taken up, and if, gentlemen, we try to follow the procedure that we adopted yesterday, I should like to finish the business, with your good-will and co-operation, before the usual lunch time.

Mr. H. P. Bagaria : Does that mean that there should be a time limit for speeches ?

The Chairman : Necessarily ; there is a time limit in the rules, and particularly to-day, I think, we are more or less agreed that there should be no controversy as regards the exchange resolution, and the rules provide, if I remember aright, 15 minutes for the proposer, and I think about 10 minutes for the seconders, but with your permission I would like to make it 5 minutes for the seconders and supporters.

Mr. H. P. Bagaria : Is that also provided in the rules, Sir, that only 5 minutes should be given to the seconders and supporters ?

The Chairman : The rules don't say so, and that is why I qualified by saying 'with your permission.' In that case the House will have to decide how much time each member should have.

Mr. C. S. Rangaswami : As this is a Resolution on which there cannot be much disagreement, I propose that the resolution be simply moved from the Chair so that we may save a few minutes.

The Chairman : I will now call upon Sir Purshotamdas Thakurdas to move the resolution as re-drafted.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber, Bombay) : Sir, I rise to move the Resolution as finally redrafted by the Committee, a copy of which, I presume, is in the hands of every member, but in order to be quite clear, I will just read the resolution :—

EXCHANGE POLICY

"(A) The Federation records its emphatic protest against the linking of the rupee to sterling in spite of the demand of the commercial community to leave the rupee free to find its own level at which eventually it may be stabilised ; such action would have enabled Government to undo the wrong perpetrated on India by overvaluing the rupee, an action unparalleled in any

major country of the world since the Great War. The linking of the rupee to sterling is objectionable particularly for the following reasons :—

(i) The future management and fate of sterling are and must remain outside the control of the Government of India,

(ii) The new valuation of sterling in terms of gold will be determined in accordance with considerations affecting the economic and financial conditions of the United Kingdom, and, may possibly prove detrimental to the economic and financial interests of India,

(iii) Any claim of any measure of stability being secured by link to sterling is neither material nor real as sterling itself is, under present conditions, not only fluctuating but most uncertain.

(B) The Federation also protests against the arbitrary manner in which the Secretary of State for India acted completely ignoring not only the wishes of the Legislative Assembly and the Round Table Conference but also the declared intention of the Government of India.

The resolution, Sir, is more or less self-explanatory, and before I say anything further, I would very much like the House to decide whether in compliance with the suggestion thrown out by Mr. Rangaswami, I should simply move the resolution and resume my seat so that the House may proceed with the other question which appears to require greater discussion on the floor of the House.

Mr. C. S. Rangaswami: My suggestion was not that the resolution should not be moved by Sir Purshotamdas Thakurdas, but that it should be simply moved from the Chair.

Sir Purshotamdas Thakurdas: The question is whether the House would like me now to resume my seat.

Mr. C. S. Rangaswami: That question does not arise.

The Chairman: I think I had decided and said that it should not be moved from the Chair, that it would be moved by Sir Purshotamdas Thakurdas, and he will take his 15 minutes, or if he thinks it necessary a few more minutes.

Mr. H. P. Bagaria: If, Sir, owing to the speeches of Sir Purshotamdas Thakurdas and other speakers we are to be pressed for time, I would rather like the Resolution to be moved from the Chair and put before the House without any speeches.

Sir Purshotamdas Thakurdas: I am afraid I did not make myself clear. I wanted the House to decide whether they would like the resolution to be passed without any further comments. That is what I understood from Mr. Rangaswami, and what I. said was in the best of spirit. I consider the resolution to be so comprehensive in itself that even without any further remarks it ought to be self-explanatory and will meet with your approval. I still want to know exactly what the House would like to do, namely to concentrate more on the other resolution. If the House wishes me to make a few remarks, I shall proceed to do so with your permission.

The Chirman: I thought when Mr. Rangaswami asked the question I clearly said that Sir Purshotamdas will move the resolution and take his usual time allowed by the rules. Therefore, I am afraid the question now raised need not have been raised at all.

Sir Purshotamdas Thakurdas: I bow to your ruling, Sir.

The various parts into which the resolution is divided hardly need any further words from me, especially the part beginning with (b) in the draft resolution before you. Regarding (i), (ii) and (iii) of part (a) of the resolution, they contain the principal reasons why the Indian commercial community have from the beginning objected to the rupee being linked to sterling. I do not think that I need comment or say any words explaining these three grounds on which the objection of the Indian commercial community is based to the rupee being linked to sterling. The most interesting subject which I think should require our attention at this juncture is the latest speech by the Finance Member when he presented the budget on the 7th of this month. At page 184, paragraph 75 of his speech, the Finance Member has this:

> "There is much popular misapprehension of the significance of what is happening, which may perhaps be corrected by putting it in the following way."

And this is the way in which he put it.

> "The phenomena of the last few months should not be viewed by themselves, but as one phase in a process of many years. India requires a certain flow of exports to balance her imports of merchandise and external payments. In the past years the volume of this flow has been more than is required, and has been stored up, as in a reservoir, by being put into gold. Now that the volume has shrunken owing to the immense fall in the prices of India's exports (a fall which has been far greater proportionately than for India's imports) the flow is being supplemented by drawing to a moderate extent on the reservoir of gold."

It is owing to this phenomena namely, that India's exports have suffered owing to the immense fall in the prices of India's raw materials, that the various commercial bodies in India felt on and after the 21st September

last that the Government of India were doing or were rather continuing the injustice which they had done to India since 1924 by still keeping India's currency on to the level of 1-6d. sterling and not allowing it to fall as England itself had done. In the case of England a fall from the pre-war gold point was considered necessary in the interests of the agriculturist and the other considerations, namely financial considerations of England. In the case of India, the main and the only consideration which should always guide the fixation of India's parity with gold must be how it affects the largest industry of India, namely, the agricultural industry, and there is no doubt about it that, whilst the Finance Member admits an immense fall in the prices, rather the gold prices in the world, and also admits a fall in our exports, he still persists in maintaining that the linking of India's currency to sterling at the point of 1-6d. sterling is justified. It is here that the commercial community in India emphatically differ from the Government of India and have a very strong grievance that the Government of India continue their unfair and unjust policy towards India, irrespective of what suits India, and perhaps guided by what suits England. He then goes on to say that the gold which has been taken from the reservoir of India has been taken to a moderate extent. In less than six months' time India has given out Rs. 55 crores worth of gold, and whilst all sorts of figures are being put forward that this works out to only 5, 7 or 10 per cent of the total quantity of gold taken by India during the last 30 years, if this is considered in the light of how long it will take India to accumulate that quantity of gold again, perhaps the seriousness of the position created by this export of gold, which is admitted to be all distress gold, not gold which is being sent out for the purpose of making money, but mostly gold which is being sent out simply because the people have no other resource on which to fall back, the seriousness of the situation created by this export of gold will be fully realised.

Then, Sir, he goes on to say:

> " Thus, the 'reservoir' is performing exactly its proper function of equalising the flow, while the quantities being drawn off are negligible in comparison with the quantities stored."

The Indian public, and particularly the commercial community not only feel that the quantities are not negligible, but the quantity of gold which has gone out is most unexpected, and I think it would be safe to say that even the Finance Member, if he was told before the 21st September last that he would get anything like Rs. 55 crores worth of gold as distress gold it might have staggered him and he would have refused to believe any prediction of that sort. The Finance Member has been exceptionally lucky, the Government of India have been exceptionally lucky in getting this windfall from those in distress in India owing to the economic policy followed by the Government of India, and also owing to the world factors affecting the economic conditions of the whole world including India. I myself maintain that the power, the bearing power of the masses of India has been steadily

undermined since the Government of India played with the currency of India, since 1924, and that undermining did more harm when the world-wide economic blizzard, as it is called, also blew over India. The one aggravated the other. The world factors could not have been avoided, but the ground prepared by the policy of the Government of India aggravated their effect in a manner which very few could overlook if they took an impartial survey of the situation.

The Finance Member goes further and says :

> " Our critics often speak as though the interests of Government were somehow different to the interests of the country in this matter. There could be no more absurd idea."

We also say that they should not differ, and what we protest against is that the two are being looked at in a manner as if what was good for England was not good for India. It was good for England on the 21st September to go past the gold standard and depreciate her currency ; the same was still not good for India on that day. We are told that sterling having gone off gold we have now got something well under 1-4d. gold. I would like to ask those who put that forward with a view to mislead those who are not conversant with the subject, what has been the depreciation on sterling vis-a-vis gold, and why should India not have the fullest benefit of that depreciation which England has brought about voluntarily and which England maintains was the right thing for her to do.

Then the Finance Member says :

> " The difficulties of Government, either as the authority for revenue and expenditure, or as currency authority, react on the public and vice versa."

He then asked what are the signs of the present ? And he puts forward certain signs.

> " We are free from hampering measures of exchange control ; exchange is strong ; our credit improved ; we have reduced our external obligations and strengthened our reserves, thereby saving the taxpayer interest charges, and improving the chances for raising fresh capital when this is needed for the development of the country."

I should like to put before the House the signs of the times as we in the commercial circle see them, and as every Indian sees them from day to day. A deficit of 25 crores during the current and previous year in the budget of the Central Government ; corresponding deficits in practically all the provincial Governments' budgets ; taxation increased during the last two years to the extent of Rs. 14 crores, and Rs. 7 crores emergency taxation brought on in the Central Goverment ; taxation for which there is no other word which one could use except crushing taxation, a taxation which has brought

on smaller receipts, taxation which is being borne by the people only because they have no other option and must carry on, taxation to which even the present Assembly with all their desire to co-operate with the Government and assist them, definitely refused to be a party and compelled His Excellency the Viceroy to certify if he must put it through. This taxation is only in keeping with the political policy of the Government since the first week of January last. They carry on the Government by ordinances, and they have imposed taxation last October by certification. It is ordinances both ways—regarding the finances of the country, and also regarding the normal Government of the country. But the most depressing part of the high taxation is the diminishing returns that the country is now faced with,—a condition which the Finance Member cannot and will not be able to overlook for long. I will not give the House my description of the diminishing returns ; I will quote the Finance Member himself.

In paragraph 8 of his speech the Finance Member refers to the import duty on sugar which has been increased. I will read one paragraph from his speech because I think his words will be more convincing than anything I can say.

> "As it may be argued that the increased duties have themselves been responsible for reduced consumption, I give the following figures which are interesting. In the first place, the actual cost to the consumer, in spite of the recent increases in import duty, has on the whole declined over the last few years. The wholesale prices including duty average about Rs. 312 per ton for 1926-27, Rs. 289 per ton for 1927-28, Rs. 273 per ton for 1928-29, Rs. 258 per ton for 1929-30, Rs. 237 per ton for 1930-31, and Rs. 255 per ton for the first six months of 1931-32."

A drop of very nearly Rs. 57 per ton.

> "For the five years from 1926-27 to 1930-31 the average amount of cash spent on the imports of sugar including the duty averaged about Rs. 23 crores, and this average kept up even till 1930-31 when the present crisis had begun. Now, however, for 1931-32 and 1932-33 on the quantities and prices which we have allowed for in our estimates the total amount of cash spent on imported sugar plus duty will only be about Rs. 12¾ crores and 14½ crores respectively."

This is the Honourable Member's inference.

> "These figures indicate that it is a falling off in purchasing power and not any rise in the price of sugar brought about by our increased duties which has mainly affected consumption."

In spite of this, which the Finance Member has laboured so much to bring out, namely, the lower prices, the purchasing power of the masses of India has decreased so much that they take smaller quantities of sugar.

I am afraid the Honourable Member when he summarised the signs of the times in para. 75 overlooked the most important sign of the times and I am afraid he has drawn a most incomplete picture of these signs of the times. He ends that paragraph with this significant sentence :. "If any one fails to see benefit to the public in all these signs he must be blind indeed." I dare say, Sir, that a few individuals may be blind. The whole of the commercial community in India have been crying out with one voice since the 21st September last and I would suggest to the Honourable the Finance Member that while some may be blind it is equally possible that the Finance Member is suffering from the most dangerous of all ailment, the ailment of self-deception. Deception is bad by itself. It means dishonourableness of the person who practises it but self-deception is one which does more harm to the man who prevents it on himself and I suggest to the Honourable the Finance Member of India that he may see, if he is not suffering from that very great handicap, namely, the handicap of self-deception. What he has himself admitted in his speech shows that he has not read the signs of the times completely. Anyway he has not summarised them in a manner which gives a complete picture of the situation and I suggest to him that he may help himself by trying to see that he is not deceiving himself by overlooking these signs which we the Indian commercial community have been trying to press on the Government of India in season and out of season, so that this country may be saved from a greater crisis than the one through which we are passing now.

Under the head General Conclusions, the Honourable Member chooses to make out how even if the sale of gold may to some extent represent the forced realisation of savings, yet as against this, there are indications that the masses of India have still a considerable amount of money. He says that in the Post Office cash certificates he has got a crore and a half more than the past year, that in the post office savings bank there is a crore and a quarter more. I wish I could read out the whole figures but I want to be as brief as possible. I have worked out the figures with some care. He says that by means of the Treasury bonds through the post office he has got 6½ crores. The total therefore according to him is an improvement during the current year of the holding by 9¼ crores, as against an export of gold which may be taken at say 50 crores. Regarding the export of gold, I have felt for some months now that the Government of India instead of speculating as to where the gold comes from, whether it comes from people who want to make money by selling gold, could usefully hold inquiries in some areas tracing the gold to the source from which it comes out and tracing back to see where the money goes to, either in the hoarding of silver or currency notes or something else. It is quite possible that part of what has been realised from gold may have been put in those investments but what I wish very much to challenge is that these three sources, namely, the postal cash certificates, the postal savings banks and the treasury bonds should be looked upon *completely*; I wish to emphasize the word completely, as the forms in which the masses

of India alone put their savings. I know, Sir, that people belonging to the middle classes, the upper middle classes and the lower middle classes in cities and urban towns put their money in these for various reasons. They do so either because they can get at the money easily or they bring higher rates of interest than they can get in other investments which are available to them. I therefore feel that it is misleading to say that these increases to the extent of 9¼ crores represent an improvement in the economic condition of the masses of India. I positively think that if the Finance Member makes inquiries he will perhaps find that it is wrong to have dealt with this aspect of it as showing that the masses of India still are in a position to have surpluses. I would ask him to make inquiries in the rural areas in any part of India. I would not particularly ask him to go to Berar where it is admitted even land cannot be sold to-day owing to the acute economic distress. If he makes inquiries in the rural areas, he will find that not only the cultivator but even the sahukar, the much abused banker of the cultivator, is practically at the end of his wits, unless he can get back a portion of his money by selling the distress gold about which both the Government of India and the Government in England have gone into ecstasy. The concluding portion of the Finance Member's speech indicates that although these preceding paragraphs make him out as looking at only one side he is oppressed very much by the other side of the picture. In paragraph 82 of his speech the Finance Member says:

> "In the circumstances which I have described we have taken such financial measures as we think that we can fairly ask the country to support at the moment but the situation still needs careful watching. And this brings me to the last subject which I wish to mention. In times like the present, when every country is struggling for its financial and economic existence, the best chance for any nation is that all its available forces for national effort should be marshalled together. That is what has happened in England and as a result England has once again resumed her front place and may help to give a lead to the countries of the world in finding a way out of this disastrous economic crisis. Is it vain even now to ask for such co-operation in India when we are trying to establish sound conditions for the new constitution? I have just said that the whole financial situation still wants careful watching. Let me mention the following practical points."

And these are his practical points:

> "First the general question of a permanent reduction in the scale of Government expenditure is by no means yet finally disposed of. Secondly, if the economic condition of the world should worsen during the coming year, it may react upon us and we may require further measures to protect our position. Thirdly we shall need to consider most carefully before the next budget the working of the new taxes which we imposed as emergency measures and the shaping of our financial policy in a more permanent form to meet the needs of the future. Lastly, I must make a short reference to one feature on which I have not dwelt fully in my general review, namely, the finances of the Provincial Governments."

Which he goes on to say are very precarious. He then says :

> "If in the handling of these problems representatives of the unofficial communities in India were ready to give their advice and support to Government, I feel confident that the national interests would benefit from such co-operation."

This is a general appeal to everybody in India to give his advice and support to Government. We in this Federation have had the courage, some call it by a worse name, to give our advice during the last five years incessantly from our point of view. The advice has mostly been rejected. In other cases, for offering that advice, we have been given all sorts of qualifications and adjectives. We still persist in giving our advice because we feel that our cause is just and is based on truth and justice but if the Finance Member expects that in spite of our advice being rejected, he should have the support of the people or of this body, I cannot help feeling that he really cannot mean all that he says here. Support can be given only where one approves of a policy. This Federation has felt for some years that the policy followed by the Government of India in this question of currency and finance is palpably wrong, misleading and against the interests of India. I am afraid, to that extent, the Federation will have to content itself by being more a critic of the Government policy than a supporter of Government policy. We feel very strongly that as long as the policy of the Government in the domain of finance and currency is in the least degree influenced by Whitehall there is no chance of the Government of India, whoever may be the member in charge, taking or adopting that policy as one which can satisfy the aspirations and the wishes of the people of India. The correct solution therefore of the problem is that we must be allowed to manage our own affairs in a manner which we consider to be suitable to our interests and any policy which is dictated either from Whitehall or which is laid down for us by the Executive Council here, unless it is laid down after consultation with the persons affected by it must always continue to be looked at with great suspicion. I am convinced that in asking for our support the Finance Member has overlooked the most important aspect which at the moment prevails throughout the length and breadth of India and that, Sir, is that the Indian public in general including the Indian commercial community feel that it is very difficult for them to trust any policy which may be laid down unless that policy is demonstrably in the best interests of India, first, second and last. Sir, I move my Resolution.

Mr. Begraj Gupta (Marwari Chamber of Commerce, Bombay), spoke in Hindi in seconding the Resolution.

Gentlemen, when the Government of India fixed the Exchange ratio to 1sh. 6d. the Indian commercial community unanimously put forth all their energies in persuading the Government to fix it to 1-4, but to no purpose. All their entreaties were thrown to the ground. Had the Government then listened to the requests of the commercial community, the condition of the

Indian trade would not have degenerated to the present extent, nor the Indian gold been deflated to the present condition. I am of further opinion that even the Sterling too would have been saved from the present crisis. Till recently the exchange ratio was on the basis of the price of gold, but now the Government have taken a step further and have linked this artificial ratio (1-6) with the Sterling.

Whereas the conditions prevailing prior to this linking of rupee with the Sterling were such that the maintenance of ratio even to 1-4 had become a thing of impossibility, beyond the expectations of anybody and like a thunderbolt, the British Government announced on 21st September 1931, the cessation of Gold Standard. In other words the British Government deemed it to their advantage to depreciate the value of their pound by their action and consequently the price of a pound fell down to its $\frac{3}{4}$th of the previous value.

To-day we are going to request the Government to abandon the 1-6 ratio and let the rupee find its normal level. We are doubtful about the attitude of the Government and we fear the Government shall show obstinacy. I am sure that if the Government were to accept our suggestion, and let the rupee have its natural level, the cash wealth of India may be saved at least six annas in a rupee. As a matter of fact the losses resulting from this would fall on the heads of the capitalists and here is a meeting of the capitalists requesting the Government to take steps which though directly harmful to them, are much beneficial to the interest of the agriculturists and the industrialists of India. Indian industry and agriculture will be benefited to an unlimited extent.

Gentlemen, since the announcement by the British Government about the cessation of gold, and the subsequent policy of the Government of India, a section of the Indian commercial community have begun to believe that if the Indian Government at this juncture fail to meet the reasonable demand of the people by abandoning their artificial ratio, the time would come when the Government would be compelled by circumstances to abandon ratio and their action then would not benefit neither the agriculturist nor the industrialists. Who knows that the circumstances may change and just as the maintenance of even 1-4 ratio is at present impossible in the same way time may come when the advantages we are talking about resulting from the abandonment of ratio may totally disappear.

Gentlemen, an idea is gaining ground in the minds of some of our people that just as the British Government went off gold standard all of a sudden similarly people in India one night will sleep as profusely rich and the very next morning when they get up, they would find themselves no better than beggars simply by one action of the Government. Of course this sort of notion exists only among men having timid nature and as such not much

importance should be placed on the idea. But it is the duty of the practical economists and the politicians of the Government to convince and remove the doubts existing in the minds of the men of ordinary calibre like myself, that when all the financially bigger nations of the world have depreciated their currencies with a view to find it in the best interest of their countries, why then should the Government of India try to artificially appreciate the price of the rupee to 2½ times its real value. How is this appreciation useful to the best interest of our country ?

Then there is further curious fact which also requires to be explained by the practical economist of the Government, that is on the one hand we find that all the biggest countries of the world have hugged gold and are trying by all possible means to check the flow of gold from their countries; but our Government strange to say, on the other hand is allowing free flow of gold, like the flow of a river; not only that but contrary to the practice followed in other countries of the world, it is helping the flight of gold by issuing notes. But now it seems rather difficult in view of the fact that the balance of India's trade being against her, this flight of gold would materially help Britain towards the repayment of their debts.

I am inclined to feel that there is only way of solving this problem, and that is that the Government should at once accept this resolution and should immediately give statutory effect to it. That is the only way of removing the doubts and fears existing among the commercial community of India. With these words I beg to second the resolution.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay): Mr. President, I do not propose to detain the House after the House has been treated to the very vigorous presentation of the case from the Indian commercial standpoint by my friend, Sir Purshotamdas Thakurdas. There are only one or two aspects however to which I should like to refer. I should like to refer first to that part of the resolution which protests against the arbitrary manner in which the decision to link the rupee was taken by the Secretary of State at a meeting of the Federal Structure Sub-Committee in London. Our Anglo-Indian friends have been criticizing us for the line of action adopted by the Government in reaching this decision. We are reminded of the fact that the British Cabinet met on Sunday night the 20th September and reached the momentous decision of Britain going off the gold standard, and the decision was taken without any previous reference to the British Parliament. The same analogy has been thrown in our face now. Our Anglo-Indian friends, who have always suffered from that not very serious disease of myopia, fail to realize the vital difference in circumstances between Indian Government—an irresponsible bureaucracy which has always to balance the conflicting interests between India and England—and a full-fledged responsible Government in one's own home, I mean Great Britain. And not only that. Even after the British Cabinet took this momentous decision,

they submitted it to the House of Commons and the House of Commons approved of the policy and that became the policy of the country. Here, when the opportunity was taken by the Legislative Assembly—however weak that body may be in the opinion of some of us present—to express its view, and when even that weak Assembly declared itself in terms quite unambiguous as to what were the wishes of this country in regard to this decision, that decision was flouted. I do not know if Government have realized the true implication of flouting the decision of the Legislative Assembly in this matter. Sir, appeals are being made for co-operation with the Government in these matters, and merchants have been asked to pull their weight and influence in bringing about what they call sanity in the country; now may I remind the Government of a very ordinary experience in political life that constitutionalism can only prevail in an atmosphere of constitutionalism. If you are going to flout the wishes of the Legislative Assembly —and you proclaim to the world that in other respects this Assembly has, as I would say, been weak enough to subscribe to your opinions, when this very weak Assembly throws the whole thing back in your face and when you flout the wishes of the Assembly; and when you do that, Sir, you have no business to ask for co-operation from the other side. There is one other aspect to which I should like to refer. As Sir Purshotamdas Thakurdas has referred to the speech of the Hon'ble the Finance Member, I also would invite a reference to para. 75 of that speech. The Finance Member tries to justify his policy. We were given an early forecast of what was coming in the Budget, in the address of H. E. the Viceroy to the Assembly in January last. Between the two, they have been pulling at a popinjay. The pulling has been so vigorous between the Viceroy on the one hand and the Finance Member on the other hand that the analysis of the result is sawdust, and I will show you how that sawdust results. It has been claimed, as a justification of this policy that conditions have vitally improved in India. I shall not tread the same ground which has already been covered, but I should like to put in a challenge to the Finance Member to stop gold exports for about two months and then to have the courage to stand up before the country and say that he is in a position to obtain remittances and that his remittance programme is fulfilled beyond his expectations. Gentlemen, look at the trade figures of the past six months. What do you find? Without the cover of gold exports, you have not got sufficient cover even to pay for your imports. That is the true state of affairs in the country. Now if in face of this true state of affairs the Finance Member has the temerity to ask us to believe that conditions have so vitally improved that he has been getting all the sterling he wants and more though of course incidentally he acknowledges that the strength of the exchange position is due to gold exports—what shall we say? I put this as an open challenge to him and ask him to come back to the country and say that his position is tenable. A claim has also been made, Sir, that they have been able to repay £15 million of our sterling obligations in London. Yes, you have, but at what cost? On the other hand you see Rs. 50 crores of *ad hoc* securities shoved into the

Paper Currency Reserve where they were nil six months ago. I say the claim of saving interest charges is absolutely fallacious. According to the system adopted by the Government of India, the bills placed in the Paper Currency Reserve also earn interest. I do admit this is a book entry; but so far as strict accounting is concerned, it is an interest charge and there is an interest charge on Rs. 50 crores of the *ad hoc* securities newly placed in the Paper Currency Reserve against a saving of interest of £15 million repaid in London. There is only one point more to which I should like to refer before I sit down. The first part of the Resolution refers to a very important point which I fear has not been fully appreciated in this country. Somehow or other the plausible argument that has been advanced by the Finance Member has made an appeal to the lay public that the linking of the rupee to sterling has after all given you some stability. Well, this part of the resolution is a clear-cut reply to this contention. How can you have stability in terms of a currency which is fluctuating from day to day? How can you have stability in terms of a currency the fate of which is still undecided and the fate of which will be determined by conditions exclusively affecting the economic and financial conditions in England and not conditions affecting in any shape or form our own country? Gentlemen, look at the movement in the dollar-sterling cross rate and its rise. It rose recently from 350 to 374. Now look at the contemporary financial literature in financial journals in England. What do you find? You find that this has been deprecated. These, Sir, are all very significant indications as to what is coming in the future. The rupee is linked to sterling. The fate of sterling however is still unknown. In the first place it is a very simple logical conclusion that the fate of the rupee will not hang in the balance on its own merits but the fate of the rupee will be determined by the unknown factors which control and determine the fate of sterling. Before I sit down, Sir, I should like to make one appeal to the Indian public through this Federation. Gentlemen, I wish the Indian public would now start realizing the importance of giving a little more attention to the subject of currency and exchange. Somehow or other I have never been able to find out why this subject has been looked upon as one which can be handled only by so-called experts. However, I do not claim to be one. But that is the feeling in the minds of the public. In this connection, I think Mr. Reginald McKenna of the Midland Bank has really done a service to the world in calling attention of the lay public all round as to the numerous directions in which currency and exchange matters affect the economic and social life of the people everywhere. I wish this had been better appreciated in the country. For instance, just read the speech of the Honourable the Finance Member and see the various points of contact between the boundaries of currency exchange and between the boundaries of social and economic life of the people here. At so many points, we are touched and vitally touched by the currency and exchange policy of the Government. I wish the executive committee would exert itself and see if it can do a little more propaganda work as was done some years ago by the Currency League of Bombay with a

view to educate public opinion in the matter in the sense of rousing greater interest in the study of this question.

The Chairman: We have now discussed this Resolution very fully and I will therefore put it to the House.

The Resolution was put to the House and declared adopted.

The Chairman: That brings us to Resolution No. 10, on page 7 of the agenda. There are slight verbal alterations. In the second line of the preamble the words "on several questions dealing with the situation in the country" should be deleted. The Resolution would read:

"Resolved that the Federation confirms the decisions taken by its Committee as incorporated in their following Resolutions:

(1) that the Federation is strongly of opinion that the present repressive policy of Government will be no solution of the existing unhappy state of the country and urges upon Government that it should be substituted by a policy of reconciliation so that an atmosphere suitable for framing a constitution acceptable to the people and for its smooth working thereafter may be created.

(2) that the Federation regrets the interpretation put upon the Committee's resolution dated the 22nd January 1932, in view of the express statement with which it opens that the Committee of the Federation recognise it to be their duty to take part in the framing of a suitable constitution for India.

(3) that the Committee heard their delegates to the Round Table Conference and learnt with regret that no adequate opportunity was made available for the examination and full discussion of the questions of reservations, financial safeguards and trading rights and resolved that in their opinion the question of financial safeguards and trading rights should be examined by a committee of businessmen with not less than one half of Indian personnel commanding the confidence of the Federation with a view to explore the possibility of an agreed solution of these questions."

I have been asked by the Executive Committee to move this Resolution from the Chair. I will then invite a discussion on the Resolution.

Mr. A. D. Shroff: Before you move the Resolution from the Chair and before a discussion ensues, I am sure the present conditions in the country demand and I feel sure it is also the wish of the executive committee

that there should be a heart to heart and frank discussion on the subject. So I suggest that the Press reporters should be asked to withdraw. I am sure you are aware that various members of the Federation who are attending as well as many more who have been precluded from attending this have been served with orders which make it impossible for them to take any part in the discussion.

The Press Reporters then withdrew from the Chamber at the request of the Chairman.

* Some of the representatives asked for certain information regarding the replies sent by the various Member-Bodies to the circular letter addressed by the Federation in connection with the proposal to reconsider the resolution of the Committee relating to the participation by the representative of the Federation on the Consultative Committee. It was finally decided to read to the House all the letters from eleven Member-Bodies which have expressed that the said resolution should be reconsidered either unconditionally or under certain conditions.

At the request of some representatives the Chairman also agreed to the desire of the House to have the reply sent to Sir George Rainy read before the House.

The resolution which was submitted to the House by the Chairman or behalf of the Committee for consideration was seconded by Mr. G. D. Birla.

Mr. G. D. Birla did not finish his speech when the House adjourned for lunch at 1 p. m.

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* Full Proceedings relating to this resolution are published separately as a confidential document.

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AFTERNOON PROCEEDINGS

SUNDAY, 27TH MARCH, 1932

2-30 P. M.

The Annual Session re-assembled after lunch at 2-30 P. M., the Vice-President, Mr. Walchand Hirachand, occupying the chair.

Mr. G. D. Birla (Indian Chamber of Commerce, Calcutta) duly seconded the resolution.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay), moved an amendment to the resolution to the following effect:—

"That the Clause 3 of the Resolution be Deleted."

Mr. B. S. Dabke (Maharashtra Chamber of Commerce, Bombay) seconded the amendment.

Lala Shri Ram (Delhi Factory Owners' Federation, Delhi) and Mr. Fakirjee Cowasjee (Buyers & Shippers Chamber, Karachi) addressed the House in support of the resolution.

Mr. H. P. Bagaria (East India Jute Association, Ltd., Calcutta) opposed the resolution.

Mr. Ranchordas H. Gandhi, a Member of the Committee, explained how the resolution was agreed upon by the Committee unanimously and then forwarded to the Annual Session for confirmation.

Lt. P. S. Sodhbans (Indian Chamber of Commerce, Lahore) spoke in support of the resolution.

Mr. G. L. Mehta (Indian Chamber of Commerce, Calcutta) addressed the House in support of the amendment moved by Mr. A. D. Shroff.

Mr. Anandji Haridas (Indian Chamber of Commerce, Calcutta) proposed another amendment to clause 3 of the resolution to the following effect:—

"The Federation feels that having regard to the repressive policy of the Government and having regard to the experience of its delegation in London at the last session of the Round Table Conference, participation of its representative in the work of the Consultative Committee can be productive of no good to national interests unless—

(i) there is a genuine desire on the part of Government to discuss and come to an agreement with the progressive opinion of India on the question of financial autonomy, safeguards, reservations and trading rights, and

(ii) towards that end the Consultative Committee is at liberty to have a free and full discussion on the various questions connected with finance and that the questions connected with trading rights, past and future liabilities, militatry finance are referred to a Committee composed of an equal number of British and Indian experts, the latter to be such as command the confidence of the Indian commercial community."

Mr. Anandji Haridas said that he hoped his amendment would meet with the approval of both sets of opinion in the House.

Mr. Kishan Prasad (Marwari Chamber of Commerce, Bombay) moved a third amendment to the effect that in the first clause of the Resolution the words :

"The Federation records its emphatic protest against "

be substituted for the words

" The Federation is strongly of opinion that".

Mr. Bagraj Gupta (Marwari Chamber of Commerce, Bombay) seconded the amendment moved by Mr. Kishan Prasad.

Mr. S. C. Bhattacharji (Indian Insurance Institute, Calcutta) and Mr. B. Das (Bihar & Orissa Chamber, Patna), spoke in support of the resolution while Mr. Devidas H. Shah (Baroda Millowners' Association, Baroda), opposed the resolution.

The Chairman announced that the amendment moved by Mr. Anandji Haridas with a slight change in wording would meet with the approval of both sets of opinion. The amended clause 3 of the resolution is as under :—

(3) " The Federation feels that having regard to the repressive policy and having regard to the experience of its delegation in London at the last session of the Round Table Conference, participation by its representative in the work of the Consultative Committee can be productive of no good to national interests unless—

(a) There is a genuine desire on the part of the Government to change that policy and to discuss and come to an agreement with the progressive opinion of India on the questions of financial autonomy, safeguards, reservations and trading rights ;

(b) towards this end, the Consultative Committee is at liberty to have a free and full discussion on the various questions connected with finance and the questions connected with trading rights, financial safeguards, etc., are referred to a Committee composed of an equal number of British and Indian experts, the latter to be such men as command the confidence of this Federation."

The Chairman directed that typed copies of the new amended clause be circulated to the representatives in the House and called upon Sir Purshotamdas Thakurdas to give the House the benefit of his views..

Sir Purshotamdas Thakurdas addressed the house as desired by the Chairman.

Mr. A. D. Shroff agreed with the terms of the amended resolution and withdrew his amendment.

The amendment of Mr. A. D. Shroff was with the permission of the House withdrawn.

Mr. Kishan Prasad agreed to withdraw his amendment also.

The amendment of Mr. Kishan Prasad with the leave of the House was withdrawn.

The resolution as amended having been accepted by the proposer and seconder of the resolution, was put to the house as a substantive resolution.

The House unanimously agreed to the amended resolution as under:-

"(1) That the Federation is strongly of opinion that the present repressive policy of Government will be no solution of the existing unhappy state of the country and urges upon Government that it should be substituted by a policy of reconciliation so that an atmosphere suitable for framing a constitution acceptable to the people and for its smooth working thereafter may be created.

(2) That the Federation regrets the interpretation put upon the Committee's resolution dated the 22nd January 1932, in view of the

express statement with which it opens that the Committee of the Federation recognise it to be their duty to take part in the framing of a suitable constitution for India.

(3) The Federation feels that having regard to the repressive policy and having regard to the experience of its delegation in London at the last session of the Round Table Conference, participation by its representative in the work of the Consultative Committee can be productive of no good to national interests unless—

(a) there is a genuine desire on the part of the Government to change that policy and to discuss and come to an agreement with the progressive opinion of India on the questions of financial autonomy, safeguards, reservations and trading rights ;

(b) towards this end, the Consultative Committee is at liberty to have a free and full discussion on the various questions connected with finance and the questions connected with trading rights, financial safeguards, etc., are referred to a Committee composed of an equal number of British and Indian experts, the latter to be such men as command the confidence of this Federation."

Chairman : The last item on the agenda is—

" Any other matter that may be placed before the Annual Meeting by the Chairman."

There being nothing more for consideration, we have finished generally with the work of the Session.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber, Bombay) :

Sir, I beg to move :

" That this annual meeting of the Federation records its warm appreciation of the services rendered to the Federation by its retiring President, Mr. Jamal Mahomed Saib and for his able administration of the affairs during this period of office.

Sir, I need not take more than two minutes in moving this resolution. All that I wish to say is how we all wish it were possible for our esteemed President to be present here, because it would have gladdened his heart to see the last resolution carried unanimously. He is not well, and I propose

that with this resolution we send to the President our best wishes for his prompt recovery from his illness which unfortunately has developed since he arrived here.

Mr. M. L. Dahanukar (Maharashtra Chamber of Commerce, Bombay): Sir, I heartily support the motion.

Mr. Nalini Ranjan Sarker (Bengal National Chamber of Commerce, Calcutta), further supported the resolution.

The motion was carried unanimously.

Lala Shri Ram (Delhi Factory Owners' Federation, Delhi):

Sir, I beg to move:

"That this annual meeting of the Federation thanks its Vice-President Mr. Walchand Hirachand, who conducted the proceedings of this Federation with marked ability, tact, courtesy and impartiality (Hear, hear).

Gentlemen, in proposing this resolution I honestly feel that Mr. Walchand Hirachand, who has been our Vice-President for one year and who is passing through this ordeal—of which I have had no experience—and through which Mr. Birla also passed last year when I was ill—really deserves our vote of thanks, and a hearty vote of thanks (Loud Applause).

Mr. Birla whispers "a vote of censure", perhaps because Mr. Birla was pulled up a few times, but I thought that was made up at the Maiden's Hotel. It looks, Sir, as if Mr. Birla will not be satisfied unless Mr. Walchand gives a dinner,—because these bigger men are not satisfied with small things. (Laughter). I hope Mr. Walchand Hirachand will next year not follow this wrong example which I started when Mr. Birla had to take my place just as this year Mr. Walchand Hirachand has had to take the place of Mr. Jamal Mahomed Saib. I hope he will keep quite fit and carry on his business and not shirk his responsibility. (Loud Applause.)

Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta):

Sir, I have great pleasure in seconding the resolution moved with so much humour by my friend, Lala Shri Ram. I am quite sure that having regard to the great ability, tact, courtesy and impartiality with which Mr. Walchand Hirachand has conducted the proceedings of the Annual Meeting and carried on the administration of the Federation during the absence of Mr. Jamal Mahomed Saib outside India, you will all record your grateful thanks to Mr. Walchand for the great trouble he has taken. In regard to

his great ability, I need hardly say anything, as he is known to us all for his marked ability. As regards his tact and courtesy, we have all seen an example of that to-day because in the midst of all the tempest and storm that was going on this afternoon, we have come to an agreement over the most controversial resolution that has ever come before the Federation. And as regards his impartiality, he has already given evidence of it because although as we have repeatedly heard that he was a strong believer in the one theory in the matter of co-operation, he has for the sake of unity joined others in accepting the amendment to the resolution which has just been passed. I hope you will all carry this resolution with acclamation. (Loud Applause).

Mr. Walchand Hirachand (The Chairman) :

Gentlemen, I have to thank you very much for the vote of thanks proposed by Lala Shri Ram and seconded by Mr. Khaitan. Before we conclude, I would like you to pass a vote of thanks to the Delhi University for the use of this Hall (Loud Applause).

The proceedings of the Annual Session of the Federation then came to a close.

Appendix A

List of Member-Bodies of the Federation of Indian Chambers of Commerce and Industry with their Representatives.

Names of Members.	Names of Representatives.
1. The Ahmedabad Millowners' Association, Ahmedabad.	1. Sheth Kasturbhai Lalbhai. 2. Sheth Ramanlal Lallubhai. 3. Sheth Himatlal Kalidas. 4. Sheth Shantilal Mangaldas.
2. Millowners' Association, Baroda.	1. Raja Ratna Sheth Bhailal Bhai D. Amin. 2. Mr. Devidas H. Shah. 3. Sheth Hiralal Motilal. 4. Sheth Chandulal Keshavlal.
3. Bihar & Orissa Chamber of Commerce, Patna.	1. The Hon'ble Raj Bahadur Radha Krishna Jalan. 2. Mr. B. Das, M.L.A. 3. Mr. K. C. De. 4. Babu Balkrishna Das.
4. Bengal National Chamber of Commerce, Calcutta.	1. Mr. Nalini Ranjan Sarker. 2. Lieut. Nalini Mohan Roy Chowdhury. 3. Mr. P. C. Coomar. 4. Mr. Suresh Chandra Roy.
5. Bengal Jute Dealers' Association, Calcutta.	1. Mr. Subhkaran Jalan. 2. Mr. Devraj Marda. 3. Mr. Lakshmi Nivas Birla. 4. Mr. P. S. Shrinivas.
6. Bombay Bullion Exchange, Ltd., Bombay.	1. Mr. Chunilal Bhaichand Mehta. 2. Mr. Lachhmandas Harakchand Dagha. 3. Mr. Gordhandas Parsotamdas Sonawala. 4. Mr. Sakarlal Damodardas Parikh, B.A., LL.B.

Names of Members.	Names of Representatives.
7. Bombay Shroff Association, Bombay.	1. 2. 3. 4.
8. Burma Indian Chamber of Commerce, Rangoon.	1. 2. 3. 4.
9. Buyers & Shippers Chamber, Karachi.	1. Mr. Jamshed N. R. Mehta. 2. Mr. Hoshang N. E. Dinshaw. 3. Mr. Fakirjee Cowasjee. 4. Mr. C. A. Buch.
10. Deccan Merchants' Association, Bombay.	1. Mr. Atmaram Raoji Bhat. 2. Mr. Kashinath Trimbak Dalvi. 3. Mr. Pandurang Mahadeo Bhagwat. 4. Mr. Ganesh Balavant Joshi.
11. Delhi Hindustani Mercantile Association, Delhi.	1. Mr. Ram Parshad. 2. Mr. C. A. Khosla. 3. Lala Padam Chand. 4. Sheth Murli Dhar.
12. Delhi Factory Owners' Federation, Delhi.	1. Lala Shri Ram. 2. Lala Baijnath Syal. 3. Sardar Bahadur Sardar Sobha Singh. 4. Mr. M. G. Bhagat.
13. East India Jute Association Ltd., Calcutta.	1. Mr. Hanuman Pershad Bagaria. 2. Mr. C. S. Rangaswami. 3. Mr. S. C. Mazumdar. 4. Hon'ble Mr. B. K. Basu, C.I.E., Member, Council of State.
14. Grain Merchants' Association, Bombay.	1. Seth Velji Lukhamsi Napoo, B.A.; LL.B. 2. Mr. Ratilal Mulji Gandhi. 3. Mr. Devji Ratansey. 4. Mr. Lukhansey Ghellabhai.

	Names of Members.	Names of Representatives.
15.	Gwalior Chamber of Commerce, Lashkar, (Gwalior).	1. Lala Ramji Das Vaishya. 2. Mr. B. R. D. Kotawalla. 3. Mr. J. P. Jhalla. 4. Mr. P. D. Tambat.
16.	Indian Chamber of Commerce, Calcutta.	1. Mr. G. D. Birla. 2. Mr. D. P. Khaitan. 3. Mr. Anandji Haridas. 4. Mr. G. L. Mehta.
17.	Indian Chamber of Commerce, Coimbatore.	1. Mr. R. K. Shanmukam Chettiar, M.L.A. 2. Mr. V. Arunachalam Chettiar. 3. Mr. B. A. Padmanabha Iyer. 4. Mr. V. S. Senkottiah.
18.	Indian Chamber of Commerce, Lahore.	1. Lala Harkishen Lal, Bar-at-Law. 2. K. B. Sardar Habib Ullah, M.L.C., Bar-at-Law. 3. Lieut. Sardar Prem Singh Sodhbans, F.L.A.A. (Lond), 4. Sardar Gurdial Singh Salariya. Bar-at-Law.
19.	Indian Chamber of Commerce in Great Britain, London.	1. Sir Shapurji B. Billimoria. 2. Mr. N. M. Muzumdar. 3. Mr. M. A. Master. 4. Mr. A. R. Siddiqui.
20.	Indian Insurance Companies' Association, Bombay.	1. Mr. K. S. Ramchandra Iyer. 2. Mr. J. C. Setalvad. 3. Mr. Y. R. Patel. 4. Mr. B. K. Setalvad.
21.	Indian Life Assurance Offices' Association, Bombay.	1. Mr. K. S. Ramchandra Iyer. 2. Mr. Byramjee Hormusjee. 3. Mr. K. C. Desai. 4. Mr. S. B. Cardmaster.
22.	Indian Match Manufacturers' Association, Bombay.	1. 2. 3. 4.

Names of Members.	Names of Representatives.
23. Indian Merchants' Association, Chittagong.	1. Rai Upendra Lal Roy Bahadur. 2. Babu Suresh Chandra Banerjee. 3. Babu Jatindra Nath Roy Choudhury. 4. Babu Banka Behari Roy.
24. Indian Merchants' Chamber, Bombay.	1. Mr. Manu Subedar. 2. Sir Purshotamdas Thakurdas. 3. Mr. A. D. Shroff. 4. Mr. Gordhandas G. Morarjee.
25. Indian Mercantile Chamber of Ceylon, Colombo.	1. Mr. H. M. Desai. 2. Mr. I. X. Pereira. 3. Mr. E. G. Adamally. 4. Mr. K. S. Chokasy.
26. Indian Mining Federation, Calcutta.	1. Mr. A. L. Ojha. 2. R. B. D. D. Thacker. 3. Mr. S. C. Ghose. 4. Mr. J. N. Mukerjee.
27. Indian National Steamship Owners' Association, Bombay.	1. Mr. Walchand Hirachand. 2. Mr. Kaikobad Cowasji Dinshaw. 3. Mr. M. A. Master. 4.
28. Indian Produce Association, Calcutta.	1. Babu Lakshmi Narayan Poddar. 2. Babu Indra Narayan Pandey. 3. Mr. Premsukhdasji Bhagat. 4. Mr. Raj Bahadur Rahtgi.
29. Indian Tea Planters' Association, Jalpaiguri.	1. Mr. Joges Chandra Ghose. 2. Mr. J. N. Sen Gupta. 3. Mr. Debes Chandra Ghose. 4. Mr. Murli Dhar Ghose, M.A., B.L.
30. Jute Balers' Association, Calcutta.	1. Sj. Santosh Chand Barakai. 2. Sj. Govinchand Bora. 3. Sj. Gopichand Dhariwal. 4. Sj. Rameswarlal Nopany.

Names of Members.	Names of Representatives.
31. Karachi Indian Merchants' Association, Karachi.	1. Lala Jaswantrai Churamani, M.A. 2. Mr. Girdharilal B. Kotak. 3. Mr. S. H. Lulla, M.A., LL.B. 4. Seth Manubhai Doongersi.
32. Maharashtra Chamber of Commerce, Bombay.	1. Mr. Walchand Hirachand. 2. Mr. Mahadeo Luxman Dahanukar. 3. Mr. Balwant Shanker Dabke. 4. Rao Bahadur L. V. Pophale.
33. Marwari Association, Calcutta.	1. 2. 3. 4.
34. Marwari Chamber of Commerce, Bombay.	1. Mr. Kishan Prasad, B.A. 2. Mr. Begraj Gupta. 3. Mr. Gurdassram Agrawala. 4. Mr. Kedarnath Agrawala.
35. Mysore Chamber of Commerce, Bangalore.	1. Mr. R. Sundram Iyer. 2. Mr. P. Subharama Chetty, M.L.C. 3. Mr. Devarao Shivaram. 4. Mr. S. L. Mannoji Rao.
36. Native Share & Stock Brokers' Association, Bombay.	1. Mr. Amratlal Kalidas. 2. Mr. Jagmohandas J. Kapadia. 3. 4.
37. Nattukottai Chettyars' Association, Rangoon.	1. Mr. A. L. A. R. Somanadhan Chettyar. 2. 3. 4.
38. Seeds Traders' Association, Bombay.	1. Mr. Chotalal Kilachand. 2. Mr. Ratilal Mulji Gandhi. 3. Mr. Gordhandas Jamnadas. 4. Mr. Nandlal M. Bhuta.
39. Sholapur Merchants' Chamber, Sholapur.	1. 2. 3. 4.

Names of Members.	Names of Representatives.
40. Southern India Chamber of Commerce, Madras.	1. Mr. M. A. Muthiah Chettiar. 2. Mr. M. Jamal Mahomed Saib Bahadur. 3. Mr. I. V. Santanam. 4. Mr. C. Gopal Menon.
41. Southern India Skin & Hide Merchants' Association, Madras.	1. Mr. C. Abdul Hakim Sahib. 2. Dewan Bahadur M. Balasundaram Naidu Garu. 3. Mr. M. Muhammad Ismail Sahib. 4. Mr. M. Sundaram Naidu.
42. Southern India Textile Association, Coimbatore.	1. M. R. Ry. C. V. Venkataramana Ayyengar. 2. M. R. Ry. B. A. Padmanabha Ayyar Avl. 3. M. R. Ry. V. S. Senkottiah, Avl. 4. M. R. Ry. P. S. Sathappa Chettiar Avl.
43. Telikanta Brokers' Association, Calcutta.	1. Mr. Rameshwardas Dalmia. 2. Mr. Manmath Nath Bannerji. 3. 4.
44. United Provinces Chamber of Commerce, Cawnpore.	1. Mr. B. N. Chopra. 2. Lala Padamapat Singhania. 3. Mr. K. L. Gupta. 4. Mr. Rameshwar Prasad Bagla, M.L.A.
45. Indian Salt Association, Bombay.	1. Mr. Hooseinbhoy A. Lalljee. 2. Mr. Kapilram H. Vakil. 3. Mr. Jamshed N. R. Mehta. 4. Mr. Dossabhai Bhimdiwala.
46. Marwari Trades Association, Calcutta.	1. Mr. Rangalal Jajodia. 2. Mr. Naraindas Bajoria. 3. Mr. Madan Mohan Sarda. 4. Mr. Baijnath Kedia.
47. Indian Insurance Institute, Calcutta.	1. Mr. Benilal Chakravati. 2. Mr. Amalendu Sen. 3. Mr. Sudhis Ranjan Biswas. 4. Mr. Suresh Ch. Bhattacherjee.

Appendix B

OFFICE-BEARERS FOR THE YEAR 1932.

President.

Mr. Walchand Hirachand.

Vice-President.

Mr. Nalini Ranjan Sarker.

Members of the Executive Committee.

1. Mr. G. D. Birla (Indian Chamber of Commerce, Calcutta).
2. Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E., (Indian Merchants' Chamber, Bombay).
3. Lala Shri Ram (Delhi Factory Owners' Federation, Delhi).
4. Mr. B. Das, M.L.A., (Bihar & Orissa Chamber of Commerce, Patna).
5. Mr. Kasturbhai Lalbhai (Ahmedabad Millowners' Association, Ahmedabad).
6. Mr. M. L. Dahanukar (Maharashtra Chamber of Commerce, Bombay).
7. Mr. Fakirjee Cowasjee (Buyers & Shippers Chamber, Karachi).
8. Mr. R. K. Shanmukham Chetty, M.L.A., (Indian Chamber of Commerce, Coimbatore).
9. Mr. Hooseinbhoy A. Lalljee (The Indian Salt Association, Bombay).
10. Mr. M. Mohamed Ismail Saib (Southern India Skin & Hide Merchants' Association, Madras).
11. Mr. J. C. Ghose (Indian Tea Planters' Association, Jalpaiguri).

Honorary Treasurers.

1. Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta).
2. Mr. R. L. Nopany (Jute Balers' Association, Calcutta).

Co-Opted Members.

1. Mr. M. A. Master, Bombay.
2. Sir Chunilal V. Mehta, K.C.S.I., Bombay.
3. Mr. A. L. Ojha, Calcutta.
4. Mr. H. P. Bagaria, Calcutta.
5. Lala Padampat Singhania, Cawnpore.
6. Lt. P. S. Sodhbans, Lahore.

Secretary.

Mr. D. G. Mulherkar.

Federation of Indian Chambers of Commerce and Industry

PROCEEDINGS

OF THE

SIXTH ANNUAL MEETING

HELD AT

DELHI

on the 15th and 16th April, 1933.

1933.

With compliments of the Secretary.

Federation of Indian Chambers of Commerce and Industry

PROCEEDINGS

OF THE

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DELHI

on the 15th and 16th April, 1933.

1933.

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FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY.

PROCEEDINGS OF THE SIXTH ANNUAL MEETING HELD IN DELHI ON 15TH APRIL, 1933.

The Sixth Annual Meeting of the Federation was held in Delhi at the Delhi University Convocation Hall on Saturday the 15th April, 1933, at 11 A.M., when the following representatives of the Member-Bodies were present :—

Seth Walchand Hirachand, Mr. Nalini Ranjan Sarkar, Seth Kasturbhai Lalbhai, Sir Purshotamdas Thakurdas, KT., C.I.E., M.B.E., Mr. G. D. Birla, Lala Shri Ram, Raj Ratna Sheth Chimanlal Girdherlal, Mr. B. Das, M.L.A., Mr. D. P. Khaitan, Mr. M. L. Dahanukar, Mr. Chunilal B. Mehta, Sardar Bahadur Sirdar Sobha Singh, Lala Ram Pershad, Mr. A. D. Shroff, Mr. A. L. Ojha, Mr. G. L. Mehta, Lala Ramji Das Vaishya, Lala Harkishan Lal, Mr. A. R. Siddiqi, Mr. Ebrahim G. Currimbhoy, Lala Padampat Singhania, Mr. Begraj Gupta, Mr. Ratilal Mulji Gandhi, Mr. V. K. Chetty, Mr. S. M. Chowdhry, Lala Rameshwar Prasad Bagla ,Mr. I. D. Varshanie, Mr. H. P. Bagaria, Mr. P. S. Sodhbans, Mr. S. S. Gangla, Seth Manecklal Mansukhbhai, Sheth Thakorlal C. Munshaw, Sheth Nanddas Haridas, Seth Trikamlal Girdherlal, Sheth Santilal G. Parikh, Sheth Anandlal Hiralal, Babu Balkrishna Das, Mr. S. C. Majumdar, Mr. P. C. Coomar; Mr. Mohanlal Ambalal Parikh, Mr. B. L. Thakore, Mr. Manoobhai Doongersey, Mr. S. V. Lalit, Mr. P. M. Bhagwat, Mr. S. R. Sardesai, Seth Lachhmi Narain Gadodia, Seth Ghansham Das, Mr. A. C. Khosla, Mr. Raj Bans Bahadur, Mr. M. G. Bhagat, Messrs. C. S. Rangaswami, Nandlal Kilachand, Haridas Velji, Lakhamsey Ghellabhai, J. P. Jhala ,Sukhdev Lal Tuli, Sardar Gurdial Singh Salariya, Bar-at-Law, Messrs. B. K. Setalvad, J. C. Setalvad, K. C. Desai, Pandit K. Santanam, Messrs. S. C. Roy, Amalendu Sen, Sheth Mathuradas Kanji Mattani Srijut S. G. Baroria, Messrs. Soonderdas Dharamsey, R. K. Sidhwa, Sardar Pratapsingh J. Sethi, Mr. G. S. Marathey, Mr. G. S. Mhaskar, Srijut Sagarmal Loyalka, Mr. Jagmohan J. Kapadia, Messrs. Chhotalal Kilachand, Gordhandas Jamnadas, Nandlal M. Bhuta, Mr. Girdherlal, Mr. H. G. Misra, Messrs. Gur Prasad Kapoor, Ram Ratan Gupta,

Amongst the Secretaries of the Member-Bodies were Messrs. J. N. Sen Gupta, T. K. Santanam, M. P. Gandhi, A. H. Maru, Govindchand Bora, D. V. Kelkar, K. Shama Iyer, P. Raghavan Nair, T. M. Gurbaxani, Uttamram Ambaram, Chunilal Vrajlal Mody, A. C. Ramlingam and Mr. D. G. Mulherkar.

The Hon'ble Mr. Peri Sundaram, Commerce Minister to the Government of Ceylon was present by invitation.

The President, Seth Walchand Hirachand, in opening the proceedings of the Sixth Annual Meeting, said :—

GENTLEMEN,

I extend to you all a cordial welcome to this the Sixth Annual General Meeting of the Federation.

REPRESSION

I am sorry the review of the past year's work has to begin with the mention of the policy of repression followed by Government during that year. As you all know the year 1932 opened with the incarceration of Gandhiji as a state prisoner which was followed by a general policy of raids, arrests and imprisonments. The inauguration of such a policy was bound to adversely affect the economic fabric of the country. This is but in consonance with the well recognised law that the commerce and industry of a country are appreciably affected by the slightest tremor caused in the political strata. This is neither the time nor the place to chronicle the subsequent events in the political history of our country. I might, however, quote the opinion of an impartial Englishman who was a member of the deputation sent out to this country by the India League to study the Indian situation on the spot and whose opinion will, I am confident, be considered fair and unprejudiced. That gentleman referring to one aspect of the policy of repression has said :—

> "When I know that the Commissioner of Police in Bombay can send merchants to jail because their refusal to trade with the other merchants constitutes an offence and can release those whom he terms as "law-breakers" when he is informed that trading has started in a certain market—this is something new in law and commerce".

Whilst we in this country were realizing to our cost how by the promulgation of the Ordinances, the administration of justice was

made subservient to the exigencies of executive administration, on the other side of the world Lord Reading tried to hold this state of rule by Ordinances, to the admiration of the "Civilised World", by asserting in a broadcast speech on India to the American public that

> "We have promised to insist on the maintenance of order in India, and we wish to make secure liberty and justice there *in accordance with the aims and ideals of English-speaking people,** both American and British".

We have had sufficient experience of the ideals of liberty and justice for which the British nation stands in their administration of this country for over a 100 years, to know the meaning of these terms as applied to India. It is not easy to see why Lord Reading coupled the name of the Americans with the British by suggesting that the aims and ideals of both Americans and British were the same. Probably he has a greater insight in the administration of the Philipine Islands by the Americans than ourselves as he felt justified in roping in the Americans as he did. Those who have watched the working of the Ordinances during the year 1932 do not believe that such an action, even if now legalised by Government, will create a calm atmosphere for the working of the reforms. For the purpose of creating such an atmosphere, Government have been trying to crush the biggest and most powerful political Organisation —the Indian National Congress. That Organisation with its 47 year-old traditions and its clearly expressed policy of non-violence and representing as it does not only the intelligentsia but the vast masses of the country, can and will never be crushed permanently. At the most, it might be driven underground for a time, but the present impasse will continue and the bitterness will go on increasing both against Government and Britain until those who were responsible for forcing the Congress to resort to civil disobedience movement by advising the Viceroy to decline an interview to Mahatma Gandhi, realise the harm that they are doing not only to India but to Great Britain and be morally courageous enough to cast aside all notions of prestige and find out ways and means to create goodwill among the people of this country. This and this alone will be a guarantee against any future political and economic eruptions in the country. In my opinion and that opinion is sure to have the backing of the Federation, the release of Mahatma Gandhi and the release of all

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* Italics are mine.

political prisoners is absolutely essential to create real goodwill between the two nations. Let us hope that better counsels will prevail in London and at Simla in the near future to bring about such a change.

DECLINING TRADE

During the period of uncertainty in the past year, India's normal trade naturally suffered a heavy set back in addition to the set back caused by the world-wide depression that has existed for the last four years. India's balance of trade which was always in her favour and which was helpful in discharging her obligations outside India diminished to a very alarming extent. In any other self-governing country such a fall in the balance of trade would have created a stir in the Government circles, and would have spurred them to adopt emergency measures to adjust the import and export trade of their country. In India, however, as it did not adversely affect the British commercial and industrial interests, the usual policy of *Laissez Faire* continued to prevail. Whilst in other countries either the currency policy is adjusted to suit the exigences of the situation or tariff-walls are erected to check the imports from foreign countries, in India, unfortunately, the administration not being in national hands, there have been no re-adjustments in either the currency or the tariff policy of the Government of India whose currency policy has always been subordinated to the interests of Great Britain. The haphazard manner in which the policy of discriminating protection is applied by Government, combined with the newly adopted policy of Imperial Preference, has not resulted in any appreciable progress in the establishment of new industries in the country. This apathetic attitude of the Government of India towards the increasing unfavourable balance of trade against India makes us feel despondent about the future of the economic condition of our country. The appeal made by promoters of several Swadeshi and "Buy Indian" Leagues to check foreign imports to the greater use of indigenous goods has had some effect in the beginning, but as these movements had not only not had the support of Government as in Great Britain but were looked upon with suspicion, the efforts and the effects thereof began to dwindle. As you all know, Great Britain witnesses the unique phenomenon of the "Buy British" campaign supported by everybody, from the Prince to the porter and receiving whole-hearted support at the hands of the administrators of the country

and a result of this propaganda, the inrush of foreign exports to that country was very soon checked. In contrast with this attitude we have in India responsible ministers in the provinces, carrying on a campaign for giving preference to goods manufactured in other parts of the Empire even at the cost of Indian-manufactured goods. Such an interpretation of the cult of swadeshism from men in authority will not help the industries of this country. The time has come, or rather is past, when it is necessary for each and every Indian to observe a vow to buy and use only pure Indian goods to the exclusion of all others. If once a genuine and lasting demand for Indian goods is created, there is every reason to hope that we shall see springing up in our country a large number of industries financed, managed and controlled predominantly by Indians which would be able to supply the requirements of our countrymen. It would not be out of place for me to refer with appreciation to the work that is being carried on by a number of "Buy Indian" Leagues or Swadeshi Leagues organised in various provinces in the country to propagate the cult of swadeshism and to appeal to you all and to my countrymen at large to give them all encouragement and support that it is possible for you and them to give.

EXPORT OF GOLD

My predecessor last year dealt in detail with the very distressing phenomenon which, I may say, is unique in the economic history of the whole world, I mean the enormous drain of the yellow metal from this country. The callous indifference with which the people's gold reserve is allowed to be drained away inspite of the unanimous condemnation by the representatives of the Indian commercial community is a vivid example of how the interests of a nation ruled by another are disregarded by the latter for its own advantage. That the exports of gold from India were required by Great Britain to give strength to the pound sterling does not now require to be proved. If still there is any doubt lingering in the minds of any of my countrymen, they have merely to look at the policy pursued by such might nations as the United Kingdom and the United States of America with their gold hoarded in their vaults and then to compare the same with the opposite policy in this country adopted by the administrators belonging to one of these nations. Whilst the United States of America with more than 7,000 million dollars worth of gold in her vaults think it wise to put an embargo on the export of gold,

India's non-Indian Finance Minister characterises this distressing feature of gold exported from India as a "pleasing phenomenon". It is not difficult for us to understand why this phenomenon of the export appeared pleasant to Sir George Schuster and his countrymen. It is, however, necessary to examine the ingenious argument used by the Finance Member in defence of his inaction. The Finance Minister puts forth a very amusing theory that the proceeds of gold realised by Indian sellers had been transferred to interest-bearing investments. It seems that he has ignored the fundamental fact that the average Indian is not likely to bring into market his gold ornaments unless he is compelled by circumstances to meet daily wants. Thus, a portion of the sum realised by the sale of gold must have gone to the money lenders from the pockets of the agriculturists and small holders of gold articles, while the greater part of the remaining sum had to be exchanged for commodities. This process of forced sales of gold led to the increase of British imports in this country, which was wished for both by the Finance Member and the manufacturers in his country. Some of the balance may at first sight be supposed to have been used for the purpose of assisting industries, but so far as I know ,no industry except the sugar industry is in a sufficiently flourishing state in the country and therefore is capable of absorbing any new capital. Even the capital for the sugar industry has not come from those who had sold their gold but mostly from substantial business men. In support of my statement, I would request you to go to the villages in the country and there you will see for yourselves the cry of distress emerging from the huts of these villages and you will be satisfied that the story about the re-investment of gold is much less than a half truth and consequently much worse than untruth. I feel it my duty at the time of laying down the reins of my office to voice from this platform the feelings of those who know their country well and to warn the administrators against the continuance of the policy of economic exploitation of my country any longer and would advise them even now to put a stop to the export of gold.

BRITISH INDUSTRIAL POLICY

Outside India we have been witnessing a very interesting change in old things giving place to new. The United Kingdom's plan of keeping a hold on the European group of nations under the obligation of war debts has failed completely. Activity in the industrial

world outside the United Kingdom has placed British Industries face to face with severe competition from its rivals on the continent. British industries for the last 15 years have not been able to face world competition in the Eastern markets of the globe and the very policy of free trade of which Britain boasted for more than 80 years had to be changed to one of protection. The McKenna duties, the Safeguarding of Industries Act, the Dye Stuff Importation Act and the recent Import Duties Act are a sufficient indication that the existing plight of British Industries forced the hands of the British Parliament and Ministers to give up the economic policy founded by Richard Cobden and John Bright familiarly known as the Manchester School. After the great war no efforts were spared by British administrators abroad in the dependencies and in the colonial empire to give by administrative acts whatever relief they could give to British Industries. Discrimination in favour of their industries at the cost of indigenous ones was the principle on which the British Administrators governed the country under their control during the last 15 years. We have an illustration of this policy in the passing of the Indian Currency Act of 1927 when the rupee was appreciated by Statute to s.1-6d. to give advantage to British industries to the extent of about 12½ per cent.

IMPERIAL PREFERENCE

The passing of the Currency Act has not the desired effect of increasing British imports of the country. The purchasing power of the people was going down on account of the slump in the prices of agricultural produce. This added to the advent of the cult of Swadeshism led to the reduction in the volume and value of British imports into India. The depression that set in since 1929 made the position of British industries still worse and in 1931, Britain had to go off the gold standard to correct an adverse balance of trade. Britain went off the gold standard just to suit its purpose of giving artificial encouragement to its export trade without in the least calculating the effects of its policy upon the currencies of the world. The attitude of the United States of America towards Great Britain and the competition created by the industrialised Nations in Europe forced Great Britain to create a sterling area for tariff purposes among countries constituting the British Empire. Thus it was sought to secure some relief at Ottawa at the hands of the Dominions by securing an extra advantage of 10% by way of Tariff Preference over

the manufactures of non-empire countries. India being still a dependency, her interests were naturally subordinated to those of Great Britain ; the Government of India, controlled as it is from London, had no choice but to acquiesce in the policy enunciated by the British Government. The country had the misfortune to witness the tragic farce of the Legislative Assembly ratifying the Ottawa pact inspite of the unanimous verdict against it from all economists and representatives of Indian commercial interests in the country. With a solid Government block in the Assembly and with immeasurable amount of patronage, at their disposal, the administrators of the country are able to get the Assembly to ratify or legalise any action of theirs in spite of country-wide opposition. We have another instance of this power of the present administration in the legalisation of the Ordinances that were temporarily issued last year by the Viceroy for the suppression of the serging tide of nationalism created by the Congress in the country.

WAR DEBTS & THE WORLD ECONOMIC CONFERENCE

In spite of all these efforts, the United Kingdom has not been able to find a correct solution for the state of helplessness in which it is finding itself as a result of the unprecedented economic depression that has set in for the last four years all the world over. To an impartial student of world conditions, the attitude of the United States on the question of war debts is understandable in as much as they do not want Great Britain or the European Group of Nations to utilise their resources made available to them by the liquidation of war debts to carry on a ruthless competition against American industries in the world markets, nor do the United States want these resources to be made use of by the debtor nations to add to their armaments and thus be a menace to the very peace of the world. If satisfactory guarantees are forthcoming on these questions, I do not think the United States of America will stand in the way of an amicable adjustment of war liabilities between the nations. This may be said to have aggravated the distressed condition of the world and the forthcoming session of the World Economic Conference is an indication of the anxiety of all the nations to find out a remedy to cure the world of the existing depression. India as one of the eight industrially great nations of the world is naturally interested in the forthcoming Conference. As you know, the position of our country is entirely different from that of the other industrial

countries. She has yet to develop her industries on right lines, and in these days of severe competition, they cannot be developed without the active help of the State. She has very little to gain from the policy of discriminating protection and Imperial Preference as means to build up her industries. A self-governed country, with immeasurable raw materials available everywhere; with an enormous home market, with hydraulic power available at almost every industrial centre and with abundance of cheap labour, would have developed her industries in a manner that would have won the admiration of the whole world, but India, with all these advantages, presents a different and a sad picture under British administration. It is some satisfaction to note that inspite of the existing handicaps, with a tenacity characteristic of India, and owing to her own peculiar advantages, her industries may be considered to have fared less worse than those of other countries in the present world conditions. She will have to make her position very clear at the World Economic Conference. She will have to revise her tariff policy in a manner suitable to the requirements of her industries. Her outlook, therefore, towards any of the questions on the agenda of the Conference must be entirely different from that of other countries owing to an honest clash of interests between the western nations and herself. The United Kingdom and the United States of America attained the position which they occupy today by a policy of actively promoting and safeguarding their own industries as against the foreign ones. The United Kingdom particularly used even the weapons of administration and legislation including the weapon of discrimination in favour of their interests to encourage its industries at the cost of the development of Indian industries. I need not refer here in detail to their deliberate policy followed in this country of not only stultifying all efforts towards the development of Indian industries but even of going to the extent of destroying by unfair competition the industries that had survived the havoc of the East India Company's commercial policy in India. All this is a matter of history known to you all and which makes a very painful reading. We must at this stage make it clear to the Government again that India's economic and financial needs are distinctly different from those of the other industrially advanced countries of the world, including the United Kingdom, and India will have to strike out an altogether different path of her own at the World Economic Conference to suit her own requirements. India does not want to be dragged into a policy not suitable to her own needs and it is,

therefore, all the more necessary that the Government of India should give every possible opportunity for the nation's rightful representatives to attend the Conference and to express candidly the nation's point of view before it.

CONSTITUTIONAL PROPOSALS

Coming nearer to the realities of the situation in the political world in India, all I can say is that the expectations raised in the minds of several of our countrymen for the last four years are set at rest by the publication of the White Paper in March last. The verdict of the nation as voiced by the various organisations and their representatives of whatever political thought and creed is unanimous in this that it is not capable of satisfying even the most moderate demands of the progressive political intelligentsia in the country. The constitution of the Central Government, the reservation of Federal Finances to the extent of nearly 80 per cent. for reserved subjects, the sweeping, extraordinary and uncontrolled powers proposed to be vested in the Governor-General and the Provincial Governors, all these and other limitations, reservations, restrictions and safeguards lead one to question the very bonafides of the intentions of Great Britain towards India. The very inauguration of the Federation is subject to three principal conditions. The one particularly relating to the establishment of the Reserve Bank, seems to me to be incapable of being brought into practice for yet a long time to come. This view is strengthened by the deliberate line of action which the Government of the country is following in respect of its currency and exchange policy and also that relating to gold exports. Even assuming that the Federation is brought into existence, I am very much doubtful if its working will tend to make the nation solvent for the years to come, when 80 per cent. of her revenue would be ear-marked by Statute towards the maintenance of an army kept chiefly for Imperial purposes, Debt services, the pensions and Civil Service charges. Thus scarcely 20 per cent. of the revenues are left for the nation-building departments of the country.

ADJUSTMENT OF MILITARY BURDEN

I understand that the report of the Indian Defence Expenditure Tribunal has been submitted to the Prime Minister. One of the issues dealt with by the Tribunal relates to India's claim to a con-

tribution from the Imperial revenues towards military expenditure in India on the now admitted ground that the army in India is maintained to a certain ertent for Imperial purposes. Millions and millions of rupees were debited in the past to India's account towards such expenditure and India rightly claims substantial relief in this matter. Another item which requires a very careful examination is the past obligations thrust on India by the British administrators of the country. I would particularly refer in this connection to the various wars waged by the British outside the limits of India and in which India had no real interest. Huge amounts were paid from the Indian treasury towards these wars, and if Britain wishes to be free from all charge of misappropriation and maladministration during her regime of trusteeship of this country, an honest and true account of all these expenses incurred on these wars waged for imperial purposes must be rendered to the newly-installed Government of this country.

THE DOMINATION OF THE SERVICES

I would lastly refer to a grievance and a very serious and genuine grievance entertained by the country regarding the recruitment of the all-India Services. The emoluments of the Services and the privileges enjoyed by tthem are far higher than those of similar officers employed by Great Britain, Dominions or any other country in the world and are quite out of proportion to the financial resources and taxable capacity of the country. India cannot afford to maintain such a costly Civil Service, and the British Parliamentary Joint Committee should, in fairness to this country, revise the clauses making them a permanent costly fixture in the future administration of the country. The way in which the powers of the members of the Services are not only maintained but actually increased by several clauses and appendices in the White Paper, leads one to believe that the British administrators are not in the least inclined to transfer the governance of the country to Indian hands. Unless the conditions and terms of pay of all these all-India Services are adjusted in accordance with the ability of the country to pay and unless the services are really made subordinate to the Ministers, I am afraid India will in perpetuity be a debtor nation ruled, as a matter of fact, by Members of the all-India Services appointed by the Secretary of State.

COMMERCIAL DISCRIMINATION

I do not want to examine all the proposals of the White Paper, but would like to refer to two particular proposals, one relating to the special responsibility of the Governor-General in respect of several of the questions in the administration of the Federation, and the other relating to the Statutory Railway Board. One of the subjects under the former refers to the "prevention of commercial discrimination." During the last four years of Commissions and Conferences, discussions and reports, this question of commercial discrimination has stood prominently before both the countries. It is not necessary for me to repeat any argument in support of the right of this country to use all means including discrimination against all non-nationals for the purpose of building up her own indigenous industries. By indigenous industries I mean industries or services owned and managed predominantly by Indians. It is an inherent right of all self-governing countries to develop their agriculture and industries in the best interests of their inhabitants and India cannot be barred by any one from exercising this inherent right. I would like to put a straight question to those who have agreed to the discriminatory clauses as a price of peace or as a matter of expediency, whether they had the right to sacrifice a nation's birthright even if the attainment of the full scope of this right might have appeared very difficult or even impossible to them. Once this principle is given up and the discriminatory clauses are accepted, our countrymen will have to remain satisfied by being mere workers in factories with no hopes of being the leaders thereof. Some of us may even be taken on the Board of Directorate. Are we going to remain satisfied with this state of things? My answer and I am sure, yours also will be a distinct and definite "No" to such a query. Moreover the creation of such vested non-national interests will always come, as it has done till now, in the way of the political progress of this country. I would also like to ask those who are arguing from the British side whether their own industries, either the textile industry of Lancashire or the British shipping industry, are not built up to the present high position by an unambiguously deliberate policy of discrimination against every other nation and by following a policy of ruthless exploitation of countries, that where either dependencies or colonies, under their control and management. They now want to prevent India from using the very weapon which they themselves used in the past not only in teir own country but in India during

the period of their administration to build up their own industries. Now that they have secured a certain privileged position in the commercial and industrial life of this country, they want to retain that position even at the cost of the interests of the children of the soil. I would like to ask what earthly chance can Indian enterprise have against the already established large-scale industries and giant vested interests possessing huge reserves, accumulated experience and resources enough to wipe out all Indian newcomers, unless these newcomers are protected by the Government through discriminatory powers, both legislative and administrative, against non-nationals. I personally hold the firm conviction that no country at the present day can develop her industries without following a deliberate policy of discrimination, without excluding the non-nationals in the country, without giving substantial help either in the form of subsidies or bounties to those nascent industries that require careful bringing up, and I personally see no relief in any formula, howsoever worded, unless the clear right of discrimination against any non-nationals is vested in the country. It is no use mincing matters on this most important question, and the longer the right of economic self-government is delayed, the more embittered will be the feelings of the nation towards those who withhold it. I am sure that if this unrestricted right of discrimination is given to this country, she may not have many occasions to use it at least not as ruthlessly as Britain used it against other nations, but that she must have that right goes without saying.

THE PROPOSED RAILWAY BOARD

The question of the establishment of a Railway Board to administer the affairs of the Indian railways really came as a surprise to those who were all along told at the second and third Round Table Conference that this Body will be constituted by the newly-formed Federal Legislature. The railways in India with more than 800 crores invested therein constitute the biggest asset of the country. They have been so far managed by a Railway Board with the commerce Member as the Chairman. No necessity has been felt for constituting a Statutory Board for the administration of these railways. I do not know whether the proposal as incorporated in the White Paper is the result of any apprehensions entertained in British circles owing to the fact that the future Commerce Member of the Federal Government will be an Indian Minister and therefore he may not

be relied upon to follow the same policy that his predecessors had been following in the pre-federal period. The Railway Board wields an enormous power to make and unmake any industry in the country and if this power is wielded in the national interests of the country, I am sure many an industry will be encouraged in the land and will add to its prosperity. Looking back to the history of the administration in the past, I can well understand the object of the British administrators to constitute the Railway Board as a close preserve for British interests and as the administration will be run by non-Indian persons at the helm, there will be very little chance of the future Railway Statutory Board with immense assets worth nearly 800 crores under their control following a policy that would relieve unemployment in the country, increase the country's productivity and add to the national wealth. I am voicing the unanimous opinion of the entire commercial community when I say that the mercantile community views with grave concern the proposal in the White Paper relating to the establishment of a Railway Board.

I do not wish to express my opinion on the other proposals in the White Paper as they will be discussed by the whole House either today or tomorrow. But let me warn the British people in the country and outside that their interests will be safer in the hands of Indians vested with full power rather than if real power is denied and nominal control given. In such a case people will be tempted to find out ways and means of circumventing all safeguards to damage those vested interests. May I repeat the warning given by the Poet Tagore in his letter to the Indian Conciliation Group, London,

> "Genuine peace in India can only result from fearless recognition by the Government of the fundamental claims of humanity".

To this I may add that given a status equal to that of Canada, Australia or South Africa as defined by the Statute of Westminister, India, with a population of 350 millions of souls, will always be helpful in maintaining peace in the world. (applause).

President: Before I sit down I should like to extend a cordial welcome to the Honourable Mr. Peri Sundaram, Commerce Minister to the Government of Ceylon.

Two Resolutions are to be moved from the Chair: The first relates to the death of Sir Dinshaw M. Petit.

I move :

DEATH OF SIR DINSHAW M. PETIT., BART.

"The Federation puts on record its sense of great loss to the Indian commercial community sustained by the death of its first President, Sir Dinshaw M. Petit., Bart, and expresses its deep sympathy and condolences with the members of the family of the deceased."

The resolution was carried by the House, all the Members standing.

The Second Resolution relates to the release of Mahatma Gandhi. It is also to be moved from the Chair.

I move :

RELEASE OF GANDHIJI.

"The Federation of Indian Chambers of Commerce and Industry places on record that in its opinion the dual policy of the Government has failed and that in the interest of peace, goodwill and prosperity, it is essential that Mahatma Gandhi and other political prisoners should be released forthwith."

Mr. R. K. Sidhwa (Karachi Indian Merchants' Association) : I propose an amendment to this Resolution.

President : Resolutions from the Chair are conventionally passed without any comments and certainly without any amendments. The Committee spent a good deal of time on this and they unanimously agreed that this would serve the purpose. As there cannot be any controversy about this, I would appeal to you to pass this without any amendment.

Mr. R. K. Sidhwa : What will be the remedy for a member to express his opinion on the matter ?

President : Resolutions from the Chair, I might repeat, are supposed to be agreeable to all and this is the unanimous view of the Executive Committee.

Mr. R. K. Sidhwa : Provided it is acceptable to the whole body.

President : Let this Resolution be passed and if there are any other points that you wish to bring forward you might bring them to my notice and I will place them before the Committee and we can have another Resolution later on. I think that will meet your point.

Mr. R. K. Sidhwa : In that case would it not be desirable to hold over this proposition until you consider my points ?.

Pandit Santanam (Indian Life Assurance Offices' Association) : The Resolution that you have moved has come as a surprise to us. Considering that this Resolution has been materially altered in the Executive Committee, would it not be fair for the President to to declare that this Resolution might be moved by some member on behalf of the Committee and opportunities might be given to the members, if they wish to make changes. Resolutions moved from the Chair are generally non-contentious. In this matter there is no doubt that the principle underying it is non-contentious but the wording is certainly a matter of very great contention. So I would request you to allow this to be moved by a member on behalf of the Committee.

Mr. Begraj Gupta (Marwari Chamber of Commerce, Bombay) addressed the House in Hindi : He explained that it was his Chamber which sent in the resolution which was incorporated in the Agenda. Since then the White Paper was published. Considering the reception which the White Paper received at the hands of various political bodies, his Chamber wrote to the Committee of the Federation expressing its desire to alter the text of the resolution. The resolution moved from the Chair now was thus altered in view of the universal condemnation which the White Paper received since its publication from all quarters in India.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay) : Mr. President : I am sure that everyone present here will unanimously agree to the substance of the Resolution that you have moved. But I think it is but fair that I should take exception to the procedure adopted by you. After all, we must remember that there is a lot of feeling on the question which forms the subject-matter of the resolution and it is really a matter of surprise to us the way things

are run in this Federation ; for instance, many of us who are present here to-day have not yet been supplied with copies of the resolutions

that are to be discussed this session, and that resolutions are moved of which we had no notice at all. I do ask whether it is considered fair by the Executive Committee of the Federation to treat the delegates in this fashion.

Mr. J. J. Kapadia (Native Share & Stock Brokers' Association) : May I in this connection draw your attention to bye-law 4 which prescribes that previous notice of a resolution must be given. I should like to know why that bye-law has been violated in this particular case.

President : In reply to Mr. Shroff, I must confess he is right as regards his not having the agenda with him. Although the Committee worked for several hours yesterday and the staff worked till 2 o'clock at night, unfortunately we have not yet got the final copies from the press. We expect them every minute. I plead guilty to the unavoidable omission, but it is an irregularity brought about by mechanical or physical causes beyond our control.

As regards Mr. Kapadia's point, this resolution was circulated. The very Chamber that sent in the resolution not only desired it to be amended but its representative came and saw me in Bombay and Mr. Begraj Gupta has expressed his opinion and the reasons for the alteration. The only revision that we took steps to bring about in the Committee concerned a few suggestions emanating from those who suggested any alterations, changes or remarks in resolutions after they have been with the member-bodies and delegates for some time. That procedure has been followed. This resolution was unanimously approved by the Committee, and I think is an improvement from every point of view. If however it is intended to have it placed through a member and have it discussed, personally I have no objection if that is the sense of the House.

A delegate : I think it would be better, Sir, if you hold over this resolution until the Executive Committee have reconsidered the matter.

President : My difficulty is that the agenda papers have not arrived and therefore I was trying to finish these two resolutions and then take the gold resolution. Every minute we are expecting the final print of the resolutions. That is the difficulty. Now if we can take up any other resolution on which there would be no difference of opinion, we can carry on till 1 o'clock by which time I hope the agenda papers will be available.

Mr. Debi Prasad Khaitan (Indian Chamber of Commerce, Calcutta): Sir, as a member who was present at the committee meeting which discussed this resolution as regards the form in which it ought to be placed before the annual session, I think it is due to the President of the Executive Committee that the reasons for the alteration should be fully explained. You will find, Sir, from the draft resolution which had been submitted by the Marwari Chamber of Commerce before the White Paper was published, that the latter portion of the Resolution stated that the "Federation believed that if the majority of the political prisoners now in jail, ...

Mr. Shroff: On a point of order, Sir, I think last year it was ruled that no mention was to be made of what had happened in the committee?

President: I think the reasons should certainly be explained to the House as to why a certain resolution which was put on the agenda was at the last moment altered by the Executive Committee.

A Delegate: You can do that in your personal capacity.

Mr. Kapadia: I rise to a point of order. I want to know whether the resolution which you have moved from the Chair does not violate the express wording of bye-law 4.

Mr. A. D. Shroff: If the Chairman is the authority who decides a point of order and not any other member, I cannot understand any other member assuming the authority of the Chair to give us a ruling on a point of order. It is you who have been asked to give a ruling.

President: Mr. Shroff, I do not think Mr. Khaitan was trying to give a ruling. He was trying to explain bye-law 4. The ruling will be given in due course by the Chair if and when necessary. Mr. Khaitan is one of the very few expert legal members present here and what he is trying to do is to explain the precise position, and we have to thank him for that and because he has been trying to help the Federation as regards rules, regulations and the constitution, and he is now trying to explain the position. The ruling of course will naturally lie with the Chair.

Mr. Debi Prasad Khaitan: Sir, some objection is taken on the point of bye-law 4. I will first read bye-law 4.

> "The Executive Committee are empowered to give notice of any subject or resolution for consideration at any of the annual general or special meetings of the Federation,

This is a power given to the Executive Committee and it is within the power of the Executive Committee to give notice of any subject or resolution for consideration at any annual general meeting and I cannot understand how bye-law 4 can possibly be construed as a restriction on the members of the Executive Committee. Then, Sir, I will refer to the reasons which I was giving as to why the draft Resolution as submitted by the Marwari Chamber of Commerce was altered. The latter part in the original draft which has been dropped by the Executive Committee ran like this :

> "The Federation believe that if the majority of the political prisoners now in jail after a careful consideration of the recommendations in a free atmosphere are convinced that the proposed constitution will indeed give to the country the substance of its demands as is claimed by Government and that political peace and trade revival will soon be ushered in. . . . . ."

As Mr. Begraj Gupta representing the Marwari Chomber of Commerce has already explained, this draft was prepared and submitted to the Executive Committee of the Federation before the White Paper was published. Now that the White Paper has seen the light of the day and opinions have been expressed on the White Paper all throughout the country, we know what the feeling of the country is on the White Paper and certainly know what attitude the Congressmen, who are called political prisoners in this draft, would express on the substance or the wording or the implications of the White Paper, and the Committee certainly thought that it would be an improvement upon the draft to drop the second part of this Resolution and to place before the House only the first part. I hope, Sir, that, with this explanation there will be no dissentient voice about the Resolution in the form in which you have placed it before the House.

Mr. A. D. Shroff : May I point out that the bye-law has to be read in conjunction with rule 11 ?

Mr. Debi Prasad Khaitan : I will also read rule 11 :

> "No subject which is not specified in the final notice of the programme of business to be transacted shall be permitted to be discussed at any annual, semi-annual or special meeting unless the subjects specified in such programme have been disposed of. No formal resolution shall be adopted at a meeting nor any public action taken in the name of the Federation at such meeting on any subject unless it shall have been included in such programme duly issued by the

authority of the Executive Committee. If, however, the President or the Chairman suggests any subject for consideration and at least three-fourths of the members present agree to the same being considered, such question may be treated as part of the agenda and proceeded with. No action shall be taken by the Federation in its collective capacity except on the resolutions carried by a majority of two-thirds of the votes given thereon."

So far as this rule is concerned, there has been no violation of it because the subject is on the agenda as circulated. No new subject has been introduced by the Executive Committee at all. In view of the developments that have taken place since the draft resolution was prepared and submitted to the Executive Committee, the latter has full power not only under the rules and bye-laws but also by its inherent powers to make such alterations and amendments as they think fit as regards the wording of the resolution on any subject as it may be placed before the House, and as regards the second part of it the Executive Committee is preparing the Resolution on the White Paper, it will duly be submitted to the House and the House will have the fullest opportunity of expressing its opinion on the White Paper itself.

President: In view of this, I would like to have this Resolution passed unanimously as moved from the Chair.

Mr. R. K. Sidhwa: Is it you desire persistently not to hear our views at least in this matter?

President: If that is the sense of the House, I am afraid I will have to put it in the way you want. Do you want me to take the sense of the House on this namely whether this resolution should be considered now or later on?

Mr. R. K. Sidhwa: That would be better.

President: We would like to be unanimous on such a resolution and therefore we defer it.

As regards the next resolution, as I said you have not got the exact wording of the resolution before you. The next resolution that will be read out to you is about gold, with the deletion of only one line. I would ask Mr. Sarker to propose it.

Mr. N. R. Sarker (Bengal National Chamber of Commerce, Calcutta): Sir, I beg to move the following Resolution:

GOLD.

"This Federation views with alarm the continued outflow of gold from India valued at over 120 crores of rupees since September 1931 and regrets the policy of inaction on the part of the Government of India in spite of strong protests by the Indian mercantile community. In view of the huge loss of the immense potential strength which the gold resources of India might have supplied to the future Reserve Bank, this Federation reaffirms the necessity of steps being taken forthwith by the Government to put an embargo on the export of gold and to buy gold in India for the purpose of strengthening the Currency Reserve at the rates equivalent to sterling rates of gold in London."

And then I have been asked by the Chairman to move the Resolution on Currency also:

CURRENCY.

"This Federation protests against the Government's policy of keeping the rupee linked to sterling and urges that the rupee be allowed to find its own level"

You are all aware of the keen international rivalry for the possession of the yellow metal, which began several years ago and has been continuing still unabated. Nearly every country in the world is making frantic efforts not only to protect and conserve its stocks of gold, but also to augment them. A large number of countries, too numerous to mention, have prohibited the export of gold. The Bank of England, for months past, has been an active purchaser of gold, indeed purchasing recently at the rate of £1 million a day. The Bank of France and the Federal Reserve Bank of America are almost relentless in their efforts to acquire gold.

Such being the condition of international demand for gold, the attitude to be taken by any particular country towards the uncontrolled export of the metal should be obvious enough. As a matter of fact Indian opinion on the question has already been frequently expressed in most definite and emphatic terms. Nearly every representative of Indian commercial organisations has protested against the terrible drain of gold from India. The nationalist press has

expressed its thorough disapproval of the policy and the leaders of public opinion have unanimously condemned the Government's obstinate inaction in the face of a grave economic phenomenon.

It should thus be unnecessary for me to offer elaborate arguments in support of the Resolution. But recently Sir George Schuster has in presenting his latest Budget assiduously devoted a part of his speech to support the policy of free export of gold, and has since asserted that his arguments have not so far been met by his critics. I feel that we should not allow this occasion to pass without answering the challenge of Sir George Schuster and I would therefore refer to some of the points raised by him to show that they are absolutely untenable and can not offer any justification for the policy hitherto pursued by the Government in this matter. We must wonder at the remarkable boldness and ingenuity of Sir George Schuster if we remember that of all Ministers of Finance and Chancellors of the Exchequer in the world our Finance Member is perhaps the only one who has advocated and enforced the free gold exports.

I must, however, congratulate Sir George on the consummate ability with which he has marshalled his facts and arguments and the keen analytical gifts he has brought to bear upon the examination of the problem. But as nearly all bad causes have had some brilliant advocates to defend them, he reminds me rather of a great lawyer who makes a brilliant defence after having committed a grave offence. You may admire his legal gifts but you are convinced he has committed the offence.

I will now briefly examine the arguments advanced by the Finance Member. His first argument is that on account of the serious shrinkage in her export trade, India could not support the present volume of imports and meet her external obligations without embarrassing results unless the position was helped by the export of gold.

The argument would have been absurd but for the subtle fallacy underlying it. It assumes that it is necessary to support the present volume of imports and that these imports contribute to the increase of the country's economic well-being or its productive capacity. If the Finance Member had devoted a part of the time he has expended upon the defence of gold exports to a study of our import trade,

he might have easily seen that neither the economic welfare, not the productive capacity of this country, requires the maintenance of imports at the present level. The argument would be valid only if the Finance Member could prove that reduction in the consumption of imported commodities would inflict grave injury upon our economic system. Sir George merely assumes this and has been careful enough not to attempt to prove it.

I am afraid Sir George is confusing the position of India with that of his own country. The bulk of England's imports consists (apart from food-stuffs) of raw materials, semi-finished goods and capital goods, on which her very economy is so largely founded ; and therefore any serious diminution in imports would react dangerously upon her economic stability. In India the position is entirely different. Our imports consist mainly of manufactured goods, some of which confer no economic benefit upon this country at all ; and a large part of these imports comes directly into conflict with the prosperity of our own struggling industries. Would a reduction in the imports of dumped cotton goods, which have all but overwhelmed our cotton industry, or of cement and steel sold at ridiculous prices, or of non-necessaries and luxuries like foreign provisions, cigarettes, wines and beers,—would the reduction in the consumption of these goods to a "desperately low level" have inflicted any injury? On the contrary, the economic position of the country is such that it is necessary to take every step to discourage the import of goods that affect unfavourably the prosperity of Indian industries. Curiously enough, our Finance Member seems to deplore the fact that India's ability to consume foreign manufactures has been reduced. If the present level of exports cannot support the present volume of imports, the sensible thing to do is either to stimulate exports or reduce imports. The Finance Member seems to have completely ignored these natural remedies, and can only envisage gold exports as the only remedy. Herein lies the difference between our Finance Member and the Chancellors of the Exchequer of other countries. Faced with the same problem, rather than allow gold to be drained out of the country, England raised tariffs to curtail imports and set right the balance of trade, depreciated the currency to stimulate exports, and put an embargo on exports of gold. It is evident from Sir George Schuster's own statement that he was more anxious to see that the volume of imports was not reduced than to conserve

the gold in India, and this gives the key to the Finance Member's policy.

The second argument of the Finance Member is highly involved and rather far-fetched. He says that by exporting gold, India has released into the world a commodity which "if it is used as a basis for currency" would increase the purchasing power of other countries. But has it all been used as a "basis for currency"? When exports of gold commenced, was the Finance Member convinced that it was all going to be used as "a basis for currency"? Did the importing countries give him any assurance or guarantee? At any rate, not very long after, from facts available to him, he must have known that a large part of the gold exported out of India was simply being sterilised and hoarded in other countries and was not being used for the purpose he had anticipated. If the Finance Member really believed in this argument, was it not his duty to stop the export of gold at least then? I am amazed that a Finance Member should hold out such pitiful weak and laboured arguments. Are we to understand that when gold began to be exported from India, the Finance Member, realising the advantage they may bestow upon our customer countries, encouraged it? Apart altogether from the question whether the anticipated benefits have actually materialised, I would like to know why this particular argument was not advanced in the Budget speech of 1932, where also the Finance Member attempted an elaborate defence of this policy. It is evident that this particular aspect was not present in his mind when he decided his attitude towards gold exports from India. It is a mere after-thought.

But is it correct? Is the contention borne out by facts? I am prepared to admit the argument if the Finance Member can prove to me that, as a result of the increase in the purchasing power of the countries that absorbed the gold, all of them have purchased a greater volume of commodities from India. The real fact is that nearly everyone of them bought less from India in 1932 than they did in 1931 or 1930. Our export figures for 1932 reveal grave deterioration. In ten months from April 1932 to January 1933 as the Finance Member himself pointed out, exports were down to 110½ crores against 134¾ crores for the previous year. In nearly every main commodity the decline was due to a fall in quantity rather than in price. In the face of these facts, this particular argument of the Finance Member is thoroughly unconvincing.

In any case, Sir George Schuster has propounded a very novel method of reviving the trade of a country. To a country which wishes to sell more goods, his suggestion is that it should export its gold to its customers, so that it may enable them to increase their purchasing power. If this is not economic altruism, I do not know what is. How I wish he suggested this to his own country England. No country is in greater need of foreign customers, and India is one of England's greatest customers. Would Sir George Schuster suggest to England that she should export her gold to India so that it may increase India's purchasing power and enable her to buy more from England? It may be a pleasing diversion for Sir George to play the fairy God-father to a distressed world, but when it is done at the expense of this poor country and its stock of gold, we feel that the interests of this country have been sacrificed for the convenience of the world. No other country is in greater need of raising its purchasing power than India, and yet, curiously enough it did not strike our Finance Member that if India's gold could be retained in India, it could be made the basis for her currency and could increase her purchasing power. In his solicitude for the purchasing power of foreign countries and the basis of their currencies, India naturally enough perhaps just slipped out of his mind.

The Finance Member has brought out a string of figures to prove how, with the proceeds of gold export India has reduced her sterling debts and strengthened her sterling reserves. The reduction of sterling debt is certainly commendable and is a step in the right direction. But I confess I fail to see the advantages of selling gold to acquire sterling. If the gold had been acquired by the Government and retained in their own reserves in India, would it not have strengthened the Government's position just as much as the acquisition of superfluous sterling? The Finance Member thinks this would not have been good policy, because we have "our proper proportion" of gold in our currency reserves. I am afraid I cannot agree with the Finance Member's idea of "proper proportion". In the first week of March the percentage of gold to notes in circulation was barely 14·65 and this can hardly be admitted from any standpoint as a proper proportion. Even admitting that 14·65 per cent is a proper proportion, why should the Finance Member have any objection to acquiring a little more of the metal which the whole world is clamouring to get? Would it be disastrous to India?

Neither can I agree with the Finance Member's partiality for

interest bearing sterling investment. It all depends upon whether India is in greater need of sterling investments of gold. Without fear of contradiction, I can say that gold is immensely more necessary and useful to India under the existing circumstances than the interest earned on sterling investments. Formerly, when sterling was easily convertible into gold, perhaps it did not matter ; but at the present time, when it is not so convertible, there is, I think, a distinct danger in selling away our gold to invest it in sterling.

Sir George Schuster has in this connection referred to a potential danger which in his opinion would bear disastrous effect if the Government were to decide in favour of purchasing gold. It would not be possible for the Government, he suggested, to persistently continue to purchase gold without exposing themselves to the hazard of abandoning the ratio of exchange. The arguments advanced by him in support of such probability are interesting and may be quoted as follows :

"If we had bought the gold for rupees, the private remitters would then have come to us, as the currency authority and demanded that we, in accordance with our statutory obligation, should sell sterling to them. We could not under the existing law have refused to do so and in that case we should have had to use the gold which we had acquired to buy sterling to meet our obligations and thus would have found ourselves in precisely the same position as we are to-day. We could only have refused to sell the gold in two ways. Either we should have had to get a law passed to relieve us of our statutory obligations in which case who would venture to prophesy what would have happened to the sterling value the rupee? Or as an alternative we should have had to pass a law putting a rigid restriction on all exchange transactions, which would have been a gross and unnecessary interference with the liberty of private individuals to deal with their own property and would necessarily have led to a very serious restriction of imports."

These arguments of the Finance Member are no more convincing than those I have already discussed and they only reveal once more how in a conflict between the ratio question and vital economic interests of the country our Government invariably attach a higher degree of importance to the former. I would not attempt to give any elaborate reply to the laboured arguments so ingeniously put forward by Sir George Schuster. I would only ask that if Sir

George was convinced that those were the only two alternatives left open to him and that the second was obviously detrimental to the interests of trade, what could have deterred him from abandoning ratio for a purpose that offered a sufficient cause for similar action in most of the advanced countries in the world to-day. Did not America and England, not to speak of other countries, abandon the basis of their currency systems for the sake of preventing an efflux of gold, and what did their action mean but the forsaking of a statutory obligation? I cannot understand why our Finance Member decided to adhere to statutory obligations which were unhesitatingly disowned by even the Government in England no sooner than the circumstances demanded it. Sir George Schuster could well have assured himself that the disavowal of the Government's obligation to maintain the ratio would be welcome to the commercial community in India who have persistently been complaining against the over-valued rupee.

Having examined Sir George Schuster's argument and his attitude towards India's gold, it would be interesting to note what other countries have been doing in regard to this question. During the year 1932 the Bank of England acquired gold with avidity. In the course of that year, England had at one time acquired as much as £20 million of gold, and the year would have closed with an increase in gold reserve of about this amount, had it not been for England's war debt payment in the middle of December which involved a sacrifice of about £19½ million in gold.

In 1932, imports of gold into England equalled £151.9 million and exports £134·3 million, leaving a net excess of imports over exports of £17·6 million. Of these imports, India furnished in the first eleven months, £52 million. It was most unlikely that, if Indian gold were not available, England would have been able to repay America. In all possibility, she would have been forced to default or raise a loan in America, or ask for extension of the time of payment.

On the 19th March 1933, the Bank of England's gold reserve was the highest for all time and its gold holding the highest since July 1931. In 1932 France imported a very large quantity of gold. On November 30th, the gold reserves of the Bank of France exceeded 83 milliard francs, while at the beginning of the year, it was under 69 milliard that is, an increase of 14 milliards in one year. The

continuous hoarding of gold by France is one of the outstanding features of the international gold situation.

Besides these countries the Central Banks of the United States, Holland, Italy and Switzerland have all acquired increased quantities of gold in 1932. Why should not have India acquired at least as much gold as is adequate for her purposes? For the sound and secure establishment of the Reserve Bank, more gold than we possess to-day is necessary. All the more inexplicable therefore is the Finance Member's indifference in this matter, specially in view of his expressed earnestness for setting up a reserve bank at the earliest date.

I would therefore strongly recommend the imposition of an immediate embargo upon the export of gold. In view of the alarming quantities of gold that are still leaving India, such an embargo is most imperative. The country's feeling in the matter is so deep and universal that I fully trust the Finance Member will reconsider his policy.

An embargo on gold export is only but one part of the policy now urgently required. The Government must go further and make up its mind to buy gold in India, for the purpose of strengthening our currency reserves, at rates to be fixed from day to day according to the sterling price of gold in London. Such a policy would not inflict any injury upon people who must convert their savings into consumable goods, or hinder others who are moved by a commendable desires to change one form of investment for a more profitable one.

With these words, I place these Resolutions for your acceptance (applause).

Mr. Chunilal B. Mehta (Bombay Bullion Exchange, Bombay) in seconding the resolutions said:

Gentlemen,

It is an unfortunate tragedy of Indian public finance that invariably in every matter concerning currency, exchange and other monetary problems of India there is difference of opinion between the Government of India on the one hand and well-informed public opinion in India on the other. This continues to be so since many

years and even to-day there is nothing to suggest that the situation has changed inspite of all talks of political reforms towards Dominion Status. During the last fifteen years or so we had the controversy regarding 2s. ratio then again 18d. ratio and now, there is perhaps no greater controversial question than gold exports, a matter in which the Government have totally ignored the best interests of the country. This resolution of the Federation on gold exports and rupee exchange states in unmistakable terms the Indian point of view.

That acute economic distress is prevailing in India, especially since last few years, is a matter of common knowledge. The distress and the sufferings of the people are painful and intense. The terrible fall in commodity prices have ruined many a people, especially in rural areas, and agricultural industry—the most important industry of India has ceased to be a profitable business.

Under such dire circumstances and out of sheer distress people have been forced to fall upon their reserves and to sell their gold to meet their requirements, and long before the rupee was divorced from 18d. gold in September 1931 distress gold was actually coming upon the market and about Rs. 10 crores worth of gold was actually sold to the Government at the statutory price of 21-3-10. The gold was coming out for sale and was being purchased by the Government and the currency in circulation came to increase. Therefore, inspite of economic distress there was no complaint against the Government on this score as the gold with the people was being transferred to the Currency Reserve for functioning in the manner and to the extent it should do.

The greatest source of satisfaction was that "distress" gold was retained within the four walls of the country and did not leave its shores.

However, since September 1931, the position has changed, and day after day, gold continues to be exported from this country. The total of such gold exports since September 1931 now approximates Rs. 120 crores and still gold is leaving country at the rate of a crore a week. This Federation and various other public bodies in India have vainly urged the Government to prohibit the gold export from this country and day by day public opinion is getting stronger and stronger on this point. In the Budget speech of 1932, Sir George Schuster tried to defend the policy of allowing gold

exports from India, but not a single argument of his has convinced the people.

It will be interesting to go over his arguments as after a period of one year we have the satisfaction to see that what this Federation said at the time has come out quite correct. His arguments at the time against buying gold were:—(1) there was speculative risk, (2) the Government could not afford to buy and hold all the gold which was being offered for sale, (3) The Government had already their proper proportion of gold in currency reserve, and lastly, (4) they were acquiring sterling. Each of these arguments at that time was subjected to the public criticism. His first argument could not stand so long as sterling is not stabilised and linked with gold. Sterling is fluctuating and as such there is equal risk in buying sterling as in buying gold. But since the British Treasury began to purchase gold systematically his argument has fallen flat. There is no doubt that physical possession of gold will create more confidence than all the sterling balances of the Government. Even when sterling is not stabilised the British Treasury through Bank of England is almost daily buying gold for constructive purposes, and there is no question or consideration of risk to them. Why then there should be such a question with Government of India? Further, his argument that the Government cannot afford to buy all gold that is offered for sale, is obviously ridiculous. How can there be the question of ability to buy when they are actually buying huge amounts of sterling, far in excess of their requirements during the last 18 months? The same resources could have been and can be utilised to purchase gold instead of sterling, only if there was the desire to do so.

As regards proper proportion in the currency reserve, it could be seen that at present the reserve of gold in the Paper Currency Department is barely Rs. 26 crores against a Note circulation of Rs. 177 crores or about 15 per cent. Is this proper proportion? And even this has been brought not by any new purchase of gold but by book transfers from Gold Standard Reserve to Paper Currency Reserve.

Another argument of Sir George Schuster was that they were acquiring sterling. It is true that the Government had sterling obligations and no one objected to their buying sterling to meet their

obligations, but it is difficult to understand why they should purchase sterling far in excess of their requirements in preference to gold.

Now in this year's Budget speech in the Assembly Sir George Schuster has given up the old arguments in defence of his gold policy and has taken much trouble to explore new arguments. He took delight on account of gold exports from India. He has regarded it as a beneficial feature of no small importance. He talked eloquently over the benefits to the Government and to the people on account of gold exports. All over the world exports of gold from a country are regarded as nothing less than a sign of economic deterioration. But Sir George Schuster does not regard it so in the case of India. He merely regards it as an exchange of one form of investment for another and as drawing on reserves accumulated in better times with no decrease in income. It is a laboured argument when it is said that people sell gold with one hand and buy securities with the other hand. Drawing upon reserves for absolute requirements cannot lead to exchange of investments. The appreciation in Government securities is not a feature peculiar to India alone but to all over the world in proportion to fall in interest rates, and it is a positive assertion of very low activity in trade and industry.

While Sir George Schuster has not a word to say about the distress of the people he showed immense solicitude for the out-side world when he said "India has in fact been able to release into the world a commodity for which alone there is an undiminished market and the possession of which if it is used as a basis of currency, does not diminish, but rather increases the purchasing power of the countries absorbing it. By doing so India has been enabled to take more imports and, thereby, in this second way also to increase the purchasing power of her own potential customers." As said now at one moment Sir George Schuster says that selling gold by the people is an exchange of one form of investment for another form. At the same time he also admits that gold exports have enabled India to take more imports. It can be seen that both cannot be right. It is clear that imported articles are of ordinary requirements and are paid for by gold exports. As such it is proved that the people are selling gold to provide for ordinary every day necessities of life and not for exchanging one form of investment into another. Further Finance Member's inference that the increased imports may increase the purchasing power of our potential customers is also mistaken, as the export trade of India during the last 18 months has gradually

deteriorated instead of improving. Obviously, Indian gold is being used by foreign countries to buy commodities of countries other than India. He also does not remember that there is more urgent need for gold within the country for a Reserve Bank. He even goes so far as to say that they were well-advised in keeping their reserves in interesting-bearing sterling investments in preference to gold. Since many years we have heard from the Government about the superiority of interest-bearing assets over non-interest-bearing barren metal and inspite of that the whole world, including Britain, is clamouring for that metal but the Government of India refuse to change their gold policy for which there can be no parallel in the world.

Further, the Finance Member said that as currency authority under the existing law it would be difficult for them to refuse selling sterling to the public. First of all during the last 18 months the Government are never called upon to exercise their function as currency authority to sell sterling. However it is very regretable that the Government are taking undue advantage of the Currency Act of 1927. When that Act was passed sterling and gold were one and the same and in that confidence the Assembly had passed the Act. But now when sterling is entirely different from gold the Government are still sticking to the wording of the Act and are keeping theoretical responsibility in order to carry on their policy of allowing the gold exports.

Summing up what has all been said until now the position is reduced to this: India has parted with gold to the value of Rs. 120 crores and there is absolutely no corresponding gain or advantage. This is the net balance of the transaction. The Government of India stand unique in the world in not taking advantage of the opportunity to accumulate gold but actually they are facilitating its exports from this country. It is quite obvious therefore that it is the deliberate policy of the Government to allow gold to go out of the country as much as possible with a view to support the value of sterling in terms of gold. If they do not admit this they must be grossly ignorant of the functional value of gold. British economists, financiers and newspapers all admit that it is the Indian gold that is supporting the sterling.

All the possible advantages, direct and indirect, whether big or small, now supposed to have been secured to the Government and

the people can be fully obtained if the Government stop the export of gold and buy all the gold in the open market. The other day, Sir George Schuster asked the Assembly whether they are prepared to face the practical results of such an action although he had not informed the Assembly as to what those practical results would be and what harm they would do. It is too simple to realise the practical results of such an action. No harm to the finances of India nor to the trade and industry of the country is to come by the prohibition of gold exports. On the contrary the practical results would be beneficial by prohibiting gold exports and allowing the rupee to find its natural level. There would certainly be a material rise in raw commodity prices. This would materially increase the purchasing power of the masses which would help to improve the general trade conditions. What is wanted in these days is the rise in commodity prices and increase in purchasing power of the masses. We all know that after the abandonment of gold standard by Britain, Japan also abandoned gold standard only for the purpose of competing in foreign markets. In the same way in order to improve commodity prices and increase the buying power of masses and to protect our gold from going out of the country, gold exports should be prohibited and rupee should be allowed to find its natural level. Only recently, with huge stocks of gold, the United States of America put an embargo on gold exports. What has happened in that country? Have the heavens come down? On the other hand, every body in America welcomed it as shown by the buoyant feeling that prevailed. The same thing would happen in India.

Therefore, we urge the Government to revise their gold and exchange policy because it is admitted by all that gold standard can be the only international standard and measure of prices, and that gold will continue to occupy its pre-eminent position as the only means to adjust the balance of international transactions. Inspite of the abandonment of gold standard in several countries of the world the clamour for gold is increasing day by day except with the Government of India. The British Treasury actually buys gold invariably every day and it is difficult to understand why the Government of India should not follow the model of British Treasury. Hence, whatever might have been the gold policy of the Government hitherto, they must at least change it now in view of the proposed Reserve Bank of India. We are told that the establishment of a Reserve Bank of India is a condition precedent to the Federation.

It appears from the Budget speech of Sir George Schuster that sterling purchases by the Government of £35 millions in excess of ordinary requirements will be made the basis for the Reserve Bank. This implies that the rupee will be kept linked with sterling. If that is really so there can be no greater tragedy. It is impossible to conceive of a Reserve Bank with the rupee linked to sterling. I may say that the National Bank of Egypt had to abandon gold standard when Britain abandoned it because it had most of its reserves in sterling. There is no certainty when sterling would be stabilised and even if it is stabilised there is no guarantee that Britain will not again abandon gold standard. Therefore, the rupee should not remain linked with sterling but should be allowed to find its natural level and then should be independently linked with gold and for that purpose Government of India should acquire gold.

It is unfortunate that the gold and exchange policy of the Government of India is not in the interests of the country. In Britain the Treasury is buying gold actively rather than allow the sterling exchange to improve. They have until now purchased gold to the value of £58 million since the beginning of this year. On the other hand, the Government of India let go the opportunity of acquiring gold at their own doors. We only ask the Government of India to follow what the British Government are doing in the matter of gold and exchange and nothing more.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay): in supporting the resolutions said :—

Gentlemen, So much has been said and written on this subject that I do not think I shall be repeating the old and familiar argument. However, I might point out that the attitude taken up by the Federation last year in opposing the linking of the Rupee has come out absolutely true. If you see the figures of foreign trade of India for 1931-32, I think they will fully confirm all our apprehensions and belie the belief of the Finance Member representing the policy of the Government of India that the linking of the rupee to sterling is in the best interests of the Indian trade. That the Indian trade has not expanded under the supposed plea that it will give a stable foreign value to our currency can well be seen from the fact that the exports of India which in 1931 stood at 208 crores including gold and silver exports of about 30 crores declined to 250 crores including the enormous figure of 77 crores of gold exports. I further

think the argument which was advanced by us last year finds confirmation from the development of the international situation in the last few months. We did protest against the linking of the rupee to the sterling amongst others on this ground, that the fate of the rupee was made to hang on the fate of the pound sterling. I am sure it must have given the Finance Member some anxious nights when he got the news of the American Government deciding to put an embargo on the export of gold. Fortunately, the various possibilities which were visualised then have not materialised but if one reads the discussions of these questions in the American Journals and in recent newspapers, one does find a suggestion which is quite portentous that important interests and financial authorities in America do even now think that it would be to the interest of America to devalue the dollar. I would leave it to you, gentlemen, to work out all the consequences to the pound sterling and then to the rupee which would follow in the wake of a step of this character if it is taken by the American Government. What I want you to realise is this, that, after all, the Rupee has no independent existence. The fate of your Rupee is entirely linked to the fate of the pound sterling, which is as uncertain as it was in the 18th of September 1931. The budget speech of the Honourable the Finance Member has been very copiously referred to by the proposer and seconder of the Resolution. There is only one argument to which I need refer, and it is more a political argument than a financial argument. The Finance Member refuses to comply with our request to put an embargo on the exports of our gold, because his political philosophy-translated in terms of actual practice as we have been experiencing since the 4th of January 1932—his political philosophy forbids him from interfering with the private liberty of individuals. Gentlemen, just realise for one second how it can lie in the mouth of the Finance Member who is an important part of the present Government of India and who is responsible not only for suppressing the ordinary liberties of the citizens of this country but whose policy makes impossible, if I may say so, the very exchange of confidences between husband and wife under clause 4 of the Emergency Powers Act which has become the law of the land. Really if Government can go to that length, if he can forbid me from conveying my confidences to my wife, you can easily assess the importance that should be attached to an argument of this character that because it interferes with the private liberty of the individuals, and though the Finance Member may be inclined to believe the force of all our arguments, he will

not do it because his political philosophy forbids it. Reading between the lines of the Finance Member's Budget speech regarding the policy of gold exports, somehow or other I have become an optimist. In the concluding para on the defence of the gold export policy, Sir George Schuster has started with a doubt about his own policy, and he does admit that it is not possible to dogmatise on this question for all time, and that the time may shortly come when a change of policy may be considered. When that change of policy is considered, I am sure even the voice of the Federation will not go in vain. It may tire some people to read day in and day out the same arguments urged by commercial people against the ruinous policy of the Government, but I am a believer that the British character is such that you have to go on dinning the same thing into their ears again and again if you have to gain your objective. I have nothing more to add.

Mr. Begraj Gupta (Marwari Chamber of Commerce, Bombay) spoke in Hindi. Following is the English version of his speech :

In past years, the Federation has passed several resolutions regarding the policy of the Government in connection with Currency and Exchange. The Government have been paying practically no heed to the resolutions, passed by the Federation from time to time. The much dreaded fear has actually appeared and the things are getting worse day by day.

You all know, Gentlemen, that the rate of interest has gone down and the demand for Government securities at appreciated prices have gone up. Government represent that these things indicate that the country is getting prosperous and that the credit of the country is increasing. Gold worth about 125 crores of rupees has left the shores of India since September 1931 and the Government hold that India has still got in store much larger quantity of the yellow metal. The Finance Member reminded the Assembly the other day "that though the amounts of gold exported have been very large, they are still small in relation to India's gold resources, and that India can go on exporting gold until the total quantities have risen to three times the amount already exported, and still have more gold than the country possessed 11 years ago." The Finance Member assured us of the correctness of the above information which he based on the figures of imports and exports of gold. I do not doubt the sincerity of the Finance Member, but I have very great doubts as

to the reliability of the conclusions drawn from the statistics which can be made to prove anything.

One thing is clear. Every country is endeavouring to conserve by all possible means its gold reserves and also tries to add to it as far as possible. In order to achieve this end, every country is anxious to secure a favourable balance of trade. That is how a country can increase its gold reserves. The competition for a favourable balance of trade amongst different countries is so great that when a country finds that in ordinary course of affairs it is not possible to do so, it depreciates the value of its currency and thus secures its desired object.

As an illustration of what I have said above, I refer to the currency policy adopted by the British Government, but the same Government thinks that quite a reverse policy is in the interest of India. I do not claim to be a very close student of world economics, but I venture to ask a simple question to the authorities on exchange and currency problems as to how certain economic factors which work in one way for Britain will work otherwise for India, other conditions, of course, remaining the same. Almost all leading countries of the world have put restrictions in one shape or the other on the export of gold, while we are told that for India the adoption of the same policy will be suicidal and positively against her best interest. In India, the fact is that the face value of the currency is put 2½ times higher than its real instrinsic value. This leads to create an unfavourable balance of trade for India, which is made to balance by the free and unrestricted outflow of gold from the shores of India.

Incidentally, I may be permitted to refer to the proposed Economic Conference. Some people are expecting that as a result of this conference, gold will be allowed to move freely and all restrictions in the way of free movement of gold will be forthwith withdrawn. In my humble opinion, this is not possible in view of policies adopted by the European countries and the United States of America. It may be otherwise if by some magic wand, the mountains of France and America could be turned into gold.

However, I fail to understood how free movement of gold can improve matters so far as it relates to India. Freedom of movement of gold does not necessarily mean that India will import all

the gold that has left her shores. If it is intended that India may get back her gold, it is essentially necessary that she may secure a net favourable balance of trade, after taking into consideration the large payments that have to be made for home charges, pensions, interest and other invisible imports. I say this position can hardly be attained in near future under the existing circumstances. Foreign countries successfully compete in Indian markets even in agricultural produce, and consequently, it does not appear that Indian agricultural produce will command foreign markets to any great extent in future. In fact, the one feasible way to secure a favourable balance of trade is the export of manufactured articles out of a country. Unfortunately our country which is largely made dependant upon foreign imports for her necessaries of life, can hardly think of a favourable balance of trade, unless the present circumstances undergo material change for which there is no hope.

What the present policy will lead to and how it will end, no body can definitely say. My own view is that if the outflow of gold continues from India and reaches the figure in the neighbourhood of 200 crores, India will become a dry country for gold in the economic sense of the term. Mere statistical calculations will not help us. Some of the gold is depreciated and the remaining balance will not, then be worth, coming to be used for industrial and commercial purposes. Moreover, Indian Government will have to repay the Sterling loans. I do not know how gold will be acquired for this purpose. Besides, the proposed Indian Reserve Bank, when established, will have a gold standard. How will they find gold is not known. Even the gold reserve is not sufficient in proportion to the appreciated value of the rupee currency at present. I may be wrong in my calculations, but I must say what I feel that I see no silver lining in the dark clouds gathering over us.

Our favourable balance of trade has been in the past years mainly due to the enormous exports of our agricultural produce. As indicated above, this is no longer possible in future. That is the worst thing in which our unfortunate country has been placed. It is true we have had in the past some quantities of gold and silver as a direct consequence of balance of trade, having been in our favour. But I am anxious for the future. For an year or so, we can send out capital in the form of gold and thus balance our foreign trade, but how shall we manage the affairs after that. And that is

not all. It is a matter for serious consideration as to how India will be able to repay her present obligations in gold.

Another very great difficulty that will have to be faced is how to maintain in those circumstances the 2½ times more value of the rupee than its intrinsic value. Personally I feel that the mere restriction of gold will not make the matters all right. The entire Government policy in connection with currency and exchange need be changed. As a sufficiently large reserve of gold will be absolutely necessary for the successful working of the Indian Reserve Bank, we submit that steps be taken forthwith by the Government to put an embargo on the export of gold and to buy it in India for strengthening the currency reserve at rates equivalent to the sterling rate of gold.

I feel it necessary to clear a popular misunderstanding. It is impossible to prevent outflow of gold even if we make it a moral issue and regard the selling of gold an unpatriotic act and the purchasing and conserving of it a patriotic act. Gold is nothing but another form of cash money. In other words, gold and rupees are exchangeable terms. According to our business needs we cannot but use this metal. The only possible way to prevent its export is that the Government be convinced to put an embargo on gold export and buy the same in exchange for new currency.

I am strongly of opinion that the present policy of the Government will lead India to face the same consequences with which England was confronted in 1931. England was a creditor country and so it could manage to tide over the difficulties, but how India would manage under those circumstances with an unfavourable balance of trade requires serious consideration. I beg to suggest to the Government that if they really want to improve matters, they should immediately put an embargo on export of gold, try to adopt means to secure a favourable balance of trade and make future commitments in terms of the rupees. Circumstances warrant that if the Indian Government do not pay any heed to our repeated requests, India will have to face the similar crisis as England had to do. Then India will be compelled by the force of circumstances, to decrease all of a sudden the value of her currency to a great extent. I would request the Government with all the emphasis I have at my command that the sooner they realise this fact the better it is for all concerned. At present a comparatively small decrease in the

appreciated value of currency would largely help in securing a favourabe balance of trade, otherwise if it is too late it may be necessary to make greater sacrifices. And this too will be possible only when the Government forthwith put an embargo on export of gold and conserves it, as suggested in the Resolution.

Mr. S. S. Gangla (Deccan Merchants' Association, Bombay) in further supporting the propositions said:

Mr. President & brother delegates,

I have great pleasure in supporting this resolution which has been moved by Mr. Sarkar and seconded by Mr. C. B. Mehta. Experts like Mr. Mehta and Mr. Begraj Gupta have expressed their arguments in favour of this Resolution and I do not think there is very much left for me to say on the subject. I do not claim to be an expert on the subject but we are all agreed that the gold embargo is very much overdue, it ought to have been proclaimed at the very beginning in September 1931. If it was only a question of covering the shortage of gold reserves with the Bank of England which was only £30 millions, the British Government could have openly appealed to India for necessary help, which would have been gladly rendered without such further unnecessary and avoidable loss to us. If England accepted the wise policy of treating India on an equal and equitable basis, we will not, on our part, grudge to come to her help on such occasions. Things can be settled amicably and in the mutual interests of both the countries. But what do we find as the actual result? We have been made to suffer a loss of gold to the extent of over Rs. 120 crores or £90 millions, while the Bank of England has been able to raise its gold reserve by only £47 millions (Bank of England's reserves at present stand at £17,70,00,000) *i.e.* only by one half and this too very recently. England has suffered all the tremendous losses, consequent on going off gold standard and has dragged India along with her in this process by linking the two currencies together. We have suffered in this process far more, as we are not in a position to control international markets and stand no comparison in this respect with England which has continued to be the master of the world economic situation hitherto. Even accepting that between the two countries England has the upper hand—the whip hand, one fails to see any wisdom in following such a policy ruinous to the interests of both.

Had India been required to support England to tide over the

crisis and to obviate the necessity to go off gold standard, we should have at least had the satisfaction of having helped the Ruling country. Besides that would not have put India to such serious losses which continue to augment and the termination of which is not yet in sight.

You will see therefore that India has been made and continues to be used not only to support the requirements of the British Government as such, not only the interest and requirements of the whole British commercial community but practically to subserve the economic interests of both Europe and America ; and the saddest part of the whole business is that this is being done in a manner which nobody is sure, is actually helping the world to economic recovery to any appreciable extent.

Therefore, brother delegates, we are all agreed that the attitude of Government in this matter, I mean their indifference is thoroughly unjustifiable. It is neither in the interests of India nor justifiable on the plausible ground of bare necessity to save the economic crisis in England. How long and to what extent is this drain to continue? The Hon'ble the Finance Member does not seem to regret the situation. In fact one is pained to find that he goes to the other extreme and not only justifies the present drain which in itself has reached the huge sum of Rs. 120 crores but says that India can very well stand a further drain of an equal or even of a greater amount. Such sentiments can only be expressed by an irremoveable Finance Member.

Government have now declared that they are anxious to bring into existance a Reserve Bank of India as early as possible, at least before the inauguration of the Federal Constitution. Gold reserves have therefore necessarily to be developed and the present drain must be put a stop to.

Mr. President, I do not think it is necessary for me to say more, with these few words I support the motion moved by Mr. Sarker.

Mr. Mohanlal A. Parikh (Bombay Shroff Association) said :

Mr. President and Brother Delegates :—I have great pleasure in further supporting this resolution.

Sir, in this resolution, we are reiterating our demand which we made last year when gold exports stood at Rs. 55 crores but since

then the gold drain has reached the stupendous figure of Rs. 120 crores since September 1931. The situation thus has become more perilous and endangering to the very economic fabric of the country. The whole problem has therefore to be seriously considered both from the standpoint of the economic interests and monetary requirements of the country.

Sir, the phenomenon of gold exodus on a large scale has commenced since the abandonment of the Gold Standard by Britain and linking of the rupee to the depreciated sterling. The Commercial Community has from the very start directed the attention of the Government to the resultant grave damage to the economic interests of the country from the continuous efflux of gold and as well pressed upon them to levy an embargo on its exports. But the Government have not considered it a wise proposition and seem even elated at the increasing pace of its outflow. Sir George Schuster says that Indian gold exports represent frozen hoards and their release functions to the benefit of the international trade and helps India to maintain the consumption of the standard necessities of life. I ask, Sir, whether it is a wise policy for any country to live upon her capital resources. The exports of gold are a visible index of the unfavourable balance of trade in merchandise and of the deteriorating economic condition of the country. India as a debtor country normally requires a favourable balance of trade in merchandise at least to the extent of Rs. 50 crores to meet the home charges of Rs. 40 crores and of Rs. 10 crores for adjustment of payments on private accounts. India used to enjoy a normal favourable balance of trade in merchandise between Rs. 70 and 80 crores. Even in the year 1930 the favourable balance of trade in merchandise was Rs. 73.77 crores but it shrunk to Rs. 34,66 crores in 1931 and to Rs. 5 crores in 1932 which in 1933 is progressively going against India. This clearly demonstrates that India is paying for her imports in gold and not in merchandise. It is therefore to be seriously considered whether imports should be continuously met by payments in gold for an agricultural country like India.

When exports of gold are against the interests of India, the question arises why Government do not levy a ban on exports. Government declare that if exports of gold are prohibited imports will decrease and the customs revenue will heavily drop. It means that the economic interests of the whole country should be sacrificed to keep up the customs revenue. If there is a fall in custom revenue

Government should carry out retrenchment and economy to that extent. But this is not the real reason. The reason is quite different. As shown above, a favourable balance of trade in merchandise to the extent of Rs. 50 crores is necessary to keep an even balance. But as the balance of trade in merchandise is adverse, it is the exports of gold that enable Government to obtain sterling remittance for home charges and help the maintenance of the rupee sterling exchange, and further give material assistance to the value of sterling. This clearly shows in whose interests exports of gold are allowed to continue. Government have frittered away a large part of their gold and silver reserves for the maintenance of 18*d* gold ratio and now they are dissipating the gold reserves of the country to maintain the 18*d* sterling exchange.

I now come to the second part of the resolution which asks Government to conserve the gold resources of the country by buying gold at the ruling market rates. This method will give the private individual the benefit of the higher price of gold and at the same time enable Government to secure reserves of gold which are so vitally necessary for the establishment of a Reserve Bank for India. But Government refuse to buy gold on the plea that the purchases of gold involve certain amount of risk and therefore in their stead, they are making accumulations of sterling. Sir, all the countries which have gone off the gold standard including Great Britain are buying gold inspite of the risk involved. The Bank of England has acquired gold to the value of £76,286,354 and its gold backing which stood at £120,746,477 in 1931 stands at present to £177,400,000. Even America a short while ago put an embargo on gold, when her interests so demanded. It is therefore very strange that the Government of India alone should refuse to buy gold. It is a different thing to buy sterling and to buy gold. The service which gold can give cannot be rendered by sterling. The acquisition of gold proved of utmost value to Great Britain in the payment of the War Debt instalment of 19 million due to the U. S. A. on December 15th. Through this agency, the debt was discharged without upsetting the exchange whereas payment in any form would have greatly disturbed the mechanism of world exchange and international trade. Not only from this standpoint but also from the standpoint of requirements of the projected Reserve Bank, which is a condition precedent to the introduction of Federal Constitution that the Government should make purchase of gold. It is high time that Government should

look to the economic interest of the country and make use of this golden opportunity to buy gold and leave the rupee to find its own level. With these words, Sir, I support these resolutions.

Mr. K. Santanam (Indian Life Assurance Offices Association): Sir, I gave notice of an amendment, and you were pleased to remark that the convention of this Federation was that no amendments could be moved on the floor of the House. I looked into the rules and bye-laws, Sir, and I think we accepted some amendments to some resolutions before. Referring to bye-law 7 (b), there is no provision in the rules and regulations and the bye-laws for any amendments to be moved at all. . . . .

President: Mr. Santanam, I thought you agreed that what you wanted to bring in could be brought in while you support the resolution. There is now no use of your going back on the question of procedure. Why not speak on the particular point and develop that particular point of yours?

Mr. K. Santanam: You will see that my amendment is not an obstructive amendment at all. My amendment is only by way of an addition to this resolution saying that the Federation appeals to the brokers in gold to desist from furthering the exports of the accumulated reserves of gold which exports are ruinous to the country. What I want to say is this. We pass Resolutions here in this Federation. We ask the Government to take a certain course of action. I am quite in agreement with you that what you have said in the resolution is quite right. I have not the slightest difference of opinion on that point, but please consider whether it is any use appealing to a Government which is not sympathetic towards the aspirations or the real interests of Indians and which does not concern itself with the matter whether this thing is in your interests or not. When the Government takes up that attitude, what are you going to do? Are you going to sit with folded hands and sit helpless? Should you not at the same time consider whether there is any other alternative by which you can in some way mitigate your own difficulties. My appeal is only this that this Federation, being a representative body of business men in the country, ought to give the lead by making an appeal to all those who are engaged in firms buying gold for the purpose of export and to brokers to, as far as lies in their power, desist from doing any such transaction so that the outflow of gold from India might be minimised. I am

not quite aware of how these transactions are carried on in Bombay. I frankly admit my ignorance. But considering that the Cotton Brokers Association in Bombay took a certain action by which they were able to put all these firms to very great difficulties and to suspend operations, I do not know if it is impossible for brokers and firms dealing with the buying and purchase of gold to take some such action in mitigation of the present position. I confess my ignorance, as I have said, of the actual processes, but as a layman it seems to me it is not at all impossible. It may not be possible for you to stop the export of gold. I quite admit that, but you will certainly minimise the evil very much. Now I wanted to put it merely as an addition to this clause. Meanwhile I say we must ask the people to take some voluntary action and it is for that purpose that I put that resolution in the form of an amendment. The question arises whether you can consider the amendment and I would very much like that this thing should be added and there is no harm. It would not in any way detract from the prestige of this Federation or usefulness of this Federation. So, Sir, if you do not want me to raise this point of order, I am perfectly willing not to do so, but I would personally very much like that it should be added as an amendment ; and if it can be considered as an amendment, I would certainly be happy if the House would accept it.

President : These two resolutions on Gold and Currency have now been discussed very fully. I shall now put them to the vote of the House.

A Delegate : Before we are asked to vote, I ask that the point of order of Mr. Santanam be considered.

President : Mr. Santanam made it clear that he agreed with me and he was satisfied with that.

Mr. Santanam : You asked me, Sir, not to raise this point of order whether an amendment can be moved and I said I was quite willing to bow to your wishes but if any such action is construed as establishing the fact that no amendments can be moved then I would certainly ask for your ruling on this point.

President : We have discussed it very fully for nearly an hour and ten minutes, and I would now put these two resolutions to vote.

The resolutions were carried unanimously.

Mr. R. K. Sidhwa: I understand the ballot papers for election of Office-Bearers will be issued between 3 and 5 this afternoon. I would request that this should be adjourned till tomorrow. Some of us arrived here only this morning and we would like to discuss amongst ourselves the question of the election.

President: The result of the election has to be announced tomorrow. This has been the practice. It is not therefore possible to defer it tomorrow.

The Federation then adjourned for Lunch till 2-45 P.M.

AFTERNOON PROCEEDINGS.

SATURDAY, 15TH APRIL, 1933.

The Annual Session re-assembled after lunch at 2-45 P.M., the President, Mr. Walchand Hirachand occupying the Chair.

President: Resolution No. 5 on Silver is to be moved from the Chair.

SILVER.

"The Federation regrets that the Government of India should continue their policy of silver sales in spite of continued protests from the public. The Federation is of opinion that since the recommendations of the Hilton-Young Report are not now operative, Government should stop further sales of silver."

The resolution was carried unanimously.

President: I call upon Sir Purshotamdas Thakurdas to move the next resolution.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber, Bombay): Sir, I beg to move the Resolution which is No. 6 on the agenda:

"The Federation of Indian Chambers of Commerce and Industry strongly protests at the decision of the Government of India in partially restoring the cut in the salaries of Government servants, in view of the critical economic situation in the country, without first giving any relief to the tax-payer."

Sir, the subject matter of this Resolution is one over which one took some consolation this time last year when the Government of India had practically for the first time in the history of Government taken the initiative in making a cut in the salaries of Government servants in order to meet what was recognised as an emergency which developed in this country about September-October, 1931. There also the Government of India had not taken an initiative without any precedent in other countries. A similar step was taken in England

before the Government of India took that step here. A similar step has been taken in other countries much nearer India than England. And what we felt was that after all even in an emergency the Government could rise to the occasion, even though partially, and take the right step. The regret of the Indian mercantile community, and if I may say so, of the tax-payer in India when the Budget was presented was that that step which was taken by the Government of India was not allowed to continue as long as it has been allowed to continue in other countries, and the Government of India appeared to be in a hurry to make amends for it at the first and earliest opportunity. It is now a matter known to all of us in the fullest detail how the Government of India had reduced that cut of 10 per cent to 5 per cent and the Budget speech of the Honourable the Finance Member deals with that in a few paragraphs which I will take notice of even though summarily. Beginning with paragraph 68 the Finance Member goes on in about 6 or 7 paragraphs to deal with the reasons why he was moved to restore a part of the cut and justifying that restoration. The figures that are given by him are that any reduction in the cut for the next year only effects 11 months' pay, and then he gives the figures. To reduce the cut in pay to one-half for 11 months means on the civil side 55½ lakhs of rupees and on the army side 52½ lakhs. The total cost is 108 lakhs. Then he points out how roping these people in for income-tax, or rather their exemption from the income-tax being excluded, will bring in to the State 53 lakhs, leaving a net figure of 55 lakhs which is, if I may say so, in literal words being thrown away avoidably by the Government of India during the current year. I wish to point out that while he reduces this figure of 55 lakhs, the Finance Member here has overlooked that this step of the Central Government would be taken as,—indeed it has been taken as,—a *fait accompli* by the Provincial Governments and that the total cost to the tax-payer in India is not merely 55 lakhs which he has referred to in his Budget but the corresponding increase in all the Provincial Governments who necessarily follow the Government of India in this matter. Unfortunately I have not been able to get at the figures of the various Provincial Government Budgets, but I should not be surprised if at a very modest computation it costs the tax-payer in India anything up to a crore and a half and even two crores of rupees. We in this Federation, Sir, deal not only with the Central Government nor is it that we are merely affected by what the Central Government do. The commercial community of India is affected by what all the

Provincial Governments do, and although we criticise and take notice of the actions and the inactions of the Central Government most, it is because the most vital items are with the Central Government, but it does not mean that what happens in the provinces does not affect the commercial community or the masses of India at large. I only want to point out that the figure of 55 lakhs given by the Finance Member in his speech is only a part and perhaps the smaller part of the total loss which is avoidably being inflicted on the tax-payer of India at a time when the Government have admitted,—indeed the Finance Member himself admits in his speech,—at a time when the tax-payer is overburdened with taxation. Sir, the Finance Member in his speech this year justifies the restoration by quoting from his previous speeches. He says :

> "It was essentially to make this purpose clear and I therefore stated as one of the main conditions that the cut,"

and this is a quotation from his previous speech,—

> "should be of a temporary nature and not extended beyond the need of the present exceptional emergency. This decision is in the need for a common sacrifice in a national emergency."

The Finance Member then admitted that it was a national emergency which had arisen and the national emergency required that there should be a common sacrifice by all concerned. The Government servants were to sacrifice 10 per cent of their pay ; the tax-payer was to pay more than he could justifiably afford. And what has happened? The tax-payer is asked to carry an extraordinary burden. The services have found the best friends in the Government and in the Finance Member who is the watch-dog of the tax-payer, and the Finance Member, I am sorry to say, seeks to justify that step.

Now he further goes on to quote :

> "Further, in summing up the position I again said : 'It must be clearly explained that there is no intention that that should remain operative beyond March 31, 1933. They will not be continued beyond that date' and I want you, Sir, to mark the words, 'without further examination of economic conditions'."

I venture to ask, has the Finance Member had that examination of the economic conditions in India made? Did he find that the cost of living had gone down since a year back? Did he find that if the same cut of 10 per cent was continued it would work a hardship on the Government servants? I have been asking one friend who

is a very active member in the Assembly whether any such justification was shown in the course of discussion in the Assembly, and I am told that no such case had been made out.

But I wish, Sir, to quote the Finance Member's own figures as given in this same Budget speech where he has pointed that as compared with 1932 and the average of 10 years ending 1930, the values of important raw materials of India have gone down by figures which really make the depression in the commerce and trade of India a household word on the lip of everybody. I need only quote figures to show how unjustifiable this restoration is. Cotton went down in value by 23 per cent, hides by 56 per cent, jute and raw materials in jute by 43 per cent; tea 62 per cent, ground-nuts 72 per cent and rice 46 per cent.

The staple crops of India have gone down in values in 1932 from the average of the previous ten years by anything between 30 to 50 per cent. I know that these staple crops and their values alone do not make up the cost of living of any individual. But I would like to meet the man who has the daring to say that the cost price of living in 1933 March has been higher than it was in 1932 March ; and if that cannot be contested, then I submit that the Finance Member has, for reasons which he does not show in his argument, shown a definite partiality to the one class in India which has security of employment and which certainly is not underpaid—I will not say anything more. Some may think they are grossly overpaid, but it cannot be gainsaid that they are certainly not underpaid ; and to restore the five per cent cut is to my mind to give the tax-payer in India a definite and unmistakeable impression that the Government is first for their servants and next to look after the interests of the tax-payer. Later on the Finance Member says, again quoting from his previous speech :

> "Relief must come first in restoring the emergency cuts in pay and secondly in taking off the surcharge on the income-tax now to be imposed."

It is very funny that every time when a question of this nature comes up the Finance Member thinks it necessary to draw a red herring across the trail. He talks about reducing income-tax, as if he was prepared to reduce the other taxation in preference to the income-tax before restoring the cut in the pay of the government

servants. I have notice that during the last few years the Finance Member has condescended and has thought it worth his while, and has not thought it below his dignity, to bring up this question of income-tax at every convenient stage in the Assembly Debates, and tried to eclipse (cloud?) the issue. Was the Finance Member prepared to reduce the other taxation before touching the income-tax? Surely neither this federation nor any public institution in India that I know of has insisted that the first relief should come to the income-tax payer. Let him give the relief first to whatever affects the masses most; and to my mind it is a method which is highly to be regretted coming from a person so securely seated as the Finance Member of India, when he tries to just eclipse the issue and prejudice the minds of at least some in the Assembly by raising some issue which is not the only issue which is before the Assembly at a juncture of this nature. It strikes me that in the course of the latter part of his speech dealing with this, the Finance Member throws out another broad hint, which he may usefully quote for himself next year, when he says the following:

> "What we hope is that conditions will so improve during the next year that it may be possible not merely to avoid retracing the step now taken but to take the further step of restoring full pay and after that—(after restoring full pay)—making a start in reducing the burdens of taxation. Beyond an expression of such a hope it would be rash to go."

The Finance Member here definitely says that the intention of the Government is to restore the full ten per cent before thinking of reducing the extraordinary taxation which he put up in September 1931. I personally think that these are indications of the Government of India having come practically to the end of their tether. Where he started off by saying common sacrifice to meet a national emergency, he ends now by saying restoring of the full ten per cent cut before reducing taxation. If I may say so, the Finance Member contradicts himself, and it is our purpose to point out that no such special pleading will go down the throats of anybody, in India, least of all of the hard-headed men who compose this Federation. I feel very strongly that whilst each one of us, merchants, industrialists or anybody interested in the commerce of India, is very solicitous of the welfare of his own staff that he employs and the Finance Member may be controlling the destinies of 5,000 hands, each one of the members of this Federation either controls the destiny of one, or two, or ten or twenty men, we cannot be so hard-headed—we cannot be

accused of being hard-headed, to the extent of saying "Let your staff famish, we must have the cut." It is our conviction that at this juncture the government servant, whether in the central or in the provincial governments is better off than the average man in the country belonging to the commercial community or to the masses ; and it is unfair of the government to restore this cut and try and make out to us that they are only doing justice. I am convinced that the Finance Member has been most anxious to show to the Government servants that he is solicitous of their welfare first and that the taxpayer will take care of himself afterwards. I do not think I need take up more of the time of the House. The question may be asked—and I do not propose to take longer, but I hope you will allow me, Sir, to make my observations for a couple of minutes more "it is all very fine to say, do not restore the cut or if you restore the cut give us some remission in taxation: but how is that to be done?" That, Sir, is not a new question at all. At any rate it is not a new question for answer in this House, and before this audience. It is my firm conviction and it has been reinforced the more I have seen and the more I have studied the Government of India finance, that as long as the military department is the special solicitude of the Government of India, under instructions from London, the taxpayer of India will always have to go to the wall. A substantial reduction in the military expediture of the Government of India is not only our due but is overdue to us, and the longer the Government of India sit on this heavy expenditure without showing the slightest sense of doing justice to India, the more we will be convinced that while the talk of disarmament in Europe is going on, as far as India is concerned, India is the milch cow of the British Empire. (Applause).

*Mr. B. Das (Behar and Orissa Chamber of Commerce): Sir, I rise to second the resolution which my friend Sir Purshotamdas Thakurdas has moved so ably. The attitude of the Finance Member at present is to introduce two safeguards, one to protect the services so that if power is transferred to the people, the people cannot reduce the salary of the services ; and the second point is the Finance Member has all along been concerned that the Government that would succeed the present Finance Member will have ample resources at their command, so that they will not have to put fresh taxation.

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* Speech not corrected.

When the Finance Member introduced his emergency taxation proposals in 1931 he gave an assurance to the House that the salary cut should be restored simultaneously with the abolition of all surcharges, particularly the surcharge on income-tax. He had to make this apologetic speech in his budget speech and subsequently he gave the Assembly to understand that he is more than concerned with the security of the services as is evident from the White Paper that came out subsequently ; and also he is more concerned about the security of the Finance Minister of the popular government than the reduction of taxation under which the taxpayers are groaning at present. I entirely endorse what has fallen on behalf of the commercial community from my friend Sir Purshotamdas Thakurdas. I do hope not only this Federation but the public at large will endorse the Congress view point that the salaries of government officials should be brought down as low as possible. Unless those who are going to London press this point there, there is no chance of the present Finance Member or the future Finance Member ever reducing the taxation under which the taxpayers are now groaning. With the low level of prices of foodstuffs and commodities it was expected that the Lee concessions would vanish. Instead of that, if we understand the attitude of mind of this Government of India and also of their masters, we find that they want to safeguard the interests of the services in the present scale of salaries and allowances that they are getting under the present constitution ; and I do hope the Federation whether now or subsequently, would record a strong protest in London and in India that the Lee concessions should be abolished and the salaries, if a new constitution comes, of present incumbents also should be reduced. With these words I second the resolution.

President : Before I put the resolution to the House a slight change in the wording has been suggested : as changed it will read as follows :

"In view of the present critical economic situation in the country, the Federation of Indian Chambers of Commerce and Industry strongly protests at the decision of the Government of India in partially restoring the cut in the salaries of Government servants without first giving any relief to the tax-payer."

This slight alteration has been accepted by Sir Purshotamdas Thakurdas.

The Resolution was put and carried unanimously.

President: Before we go to the resolution No. 7, relating to income-tax the ballot papers will be distributed.

Mr. A. D. Shroff: Sir, I just wanted to ask for information on one point. The agenda says "the ballot papers for election of office-bearers will be issued to representatives on Saturday the 15th April between the hours of three and five P.M." May I know when they are to be returned? I shall make my point more explicit in order that you can give an explicit answer. I am not going to make a speech. You will remember that last time also this question was raised and it particularly arose out of the remark made by one of the members of the committee that if the committee did not enjoy the confidence of the House it was open to the House to dislodge the committee. I say, is it fair to the House that you should ask the House to give you another year of life as an indication of their complete confidence in the committee, without first having an opportunity of dealing with the fourth item on the agenda, namely, the adoption of the Annual Report and Statement of Accounts, where you will be good enough to give us an account of your stewardship for the last twelve months. And as your constituents we will be in a position to appreciate and put a true value upon your labours during the past 12 months. It is not a correct procedure to call upon us to vote in the matter of electing members to the executive committee without first giving us an opportunity to know what the committee has done during the past months. We will simply be doing sheer injustice in voting down some members and placing some members at the top and give them a vote. So please do not put us in that awkward position. There is another reason which I would adduce in favour of postponing the consideration of item No. 5, and it is this. Most of us came to Delhi only last night at 10 o'clock. . . .

A Member: Several came only this morning.

Mr. Shroff. We have not had even a chance to make friends or even acquaintance with most of the people who have gathered here. We have all come from long distances. I am only making a suggestion to which you might give your considered reply. My point is whether it is not fair and proper to the whole House that the whole House should be given an opportunity to meet after the closing of today's work, have an exchange of views and then hold your elections tomorrow. I cannot understand your remark which you made just

before we retired for lunch that it is a matter of convention. Conventions are there so long as they are in accordance with the spirit of the times and conventions can be easily broken and changed as soon as they are found to conflict with the spirit of the times. Here are good and sufficient reasons for which you can postpone the elections for a day. We certainly want to know our own men before we elect them to the committee. I hope, Sir, these considerations will induce you to accept my suggestion to postpone the holding of the elections till tomorrow.

President: I understand that in most of the commercial bodies elections take place before the annual meeting.

Mr. R. K. Sidhwa: No, No, not before.

Mr. Shroff: In Chambers it is a different matter, if you will allow me to point out.

President: I might point out that the report has been before the delegates for some time now. As regards the second point, it is not expected, nor has it been so in the past that the same committee has been elected. If you will see the ballot papers you will observe that for 12 seats there are 34 names before us. In every committee I think,—I am speaking from memory,—there has been 33 to 40% changes. The agenda paper and the procedure to be followed has been before you for the last 14 days. If any change was desired by member—bodies or their representatives, they had ample time and they had ample opportunities to suggest such changes. I do not see therefore why there should be a change in the procedure. We will therefore proceed to distribute the ballot papers which will be returnable before 5 P.M.

Mr. H. P. Bagaria: Last year it was made a question of confidence.

Mr. R. K. Sidhwa: I rise to a point of order, Sir. The agenda circulated to the members distinctly stated that the election of Office-Bearers would be taken after 4 times on the agenda had been disposed of, and under the rules and under the convention either of this federation or any other bodies, I mean corporate bodies, the agenda is to be taken seriatim, one by one, and I cannot understand how you can take the election question before even item No. 2 has been disposed of completely. You have not stated anywhere that the

ballot papers will be returnable when. Therefore the suggestion made by Mr. Shroff is a very good one. Surely, you cannot compel us to deliver the ballot paper between 3 and 5. I would therefore appeal to you to take the sense of the House before you proceed further.

President: Item No. 5 only means that the result of the elections will be announced after the preliminary work with regard to item 5 is disposed of on the first day between 3 and 5 P.M. When the ballot papers are issued to you, they will be returnable by 5 or before 5. . . . .

Mr. H. P. Bagaria: I remember last year, Sir, when we were discussing the political question, the election of the committee was made a question of confidence. We were told that we knew the views of certain members of the committee and if that did not meet with our approval we had no business to elect them.

President: If I may correct you, I do not think, if my memory serve me correctly, that this was said in connection with the elections. Secondly, if any particular member made that statement and he happened to be a member of the committee, that cannot be taken as the view of the committee. I am doubtful as regards the correctness of your statement as to what was said in this connection.

Mr. A. D. Shroff: You have not yet stated, sir, as to when the ballot papers should be returned.

President: Before 5 P.M.

Mr. A. D. Shroff: I will point out to you one result of that if you want the papers back by 5 P.M. Some of us will have to leave these deliberations and work for elections. If that is your wish, you may tell us so. We will be entitled to do so, but it is not fair to your constituents to ask them to vote for members whom they do not know yet.

Pandit Santanam: I was merely going to ask you as to whether it would not be better as a matter of convenience to postpone the elections for this reason. There are several resolutions that are going to be proposed and it may be that some Resolutions might be proposed and carried in this Federation to which some of the members elected to the committee might be opposed. An executive body has to carry out whatever resolutions that are proposed by the

Federation. If you elect them first, and then if you pass certain Resolutions which are not acceptable to some of the members, there will be no option left to them but to resign later.

Mr. V. K. Chetty: Is there any harm if the elections are held over till tomorrow?

President: As regards Mr. Shroff's difficulty about working for the elections as he put it, I do not mind postponing the work of the House for about half an hour. We will issue the ballot papers and we will adjourn at 4-30 and combine it with tea and reassemble again at 5. That will give reasonable time to Mr. Shroff.

Therefore the ballot papers will be issued now. The House will adjourn from 4-30 to 5. The ballot papers will be returnable by 5.

Mr. H. P. Bagaria: Sir, I respectfully suggest that you cannot do so without the consent of the House.

Mr. R. K. Sidhwa: I thank you for the concession you have given, but I want to point out that there are 37 candidates on the list, and half an hour will not be sufficient for us to exchange our views. It is therefore only fair that you should give us at least 3 to 4 hours. Therefore, I entirely support the suggestion made by Mr. Shroff that we should postpone the elections till tomorrow.

President: I think, Mr. Sidhwa, I have tried to solve all your difficulties as far as possible. As soon as Mr. Shroff suggested that members should have some time, I thought it was a reasonable difficulty and I met it. Let us therefore now proceed with the work.

Mr. H. P. Bagaria: I think you have not met the difficulty pointed out by Pandit Santanam. Some of the members of the Executive Committee might not find it convenient to carry out the policy underlying some of the resolutions passed by us. That is a very vital consideration.

A Member: Mr. Shanmukham Chetty was a member of the committee. He could not carry out the policy underlying some of the resolutions passed by us and he resigned.

Mr. A. D. Shroff: It is only fair to the House that as the

matter has become somewhat controversial, you should ascertain the sense of the House before you proceed further.

Mr. R. K. Sidhwa : I think it is only fair that you should take the sense of the House.

Mr. H. P. Bagaria : As pointed out by Pandit Santanam, our difficulty in taking part in the elections in this : We may lay down certain policy which the members elected might find it difficult to carry out, and therefore we cannot cast our votes today.

Mr. G. D. Birla : May I intervene for a moment, Sir. Mr. Bagaria is evidently referring to the remarks which I made last time. Mr. Bagaria by this time knows what are the views of the members of the Committee. He may also know the views of the different members who have attended this conference. Therefore, I feel that he will not find it difficult as to whom he should elect or whom he should reject. I really do not know what his difficulty is.

Mr. H. P. Bagaria : We have not yet finished the business of the House. We have still to pass a certain number of resolutions. We may lay down any policy we like, but the members elected to the committee will not be able to carry it out if they are not in agreement with the views contained in those resolutions.

Mr. G. D. Birla : This agenda, so far as I could see from the printed agenda, is issued on the 25th of March, and we have not received any suggestions from any member-body as to whether the election should not be held on the 15th. In fact, it was made quite clear that the ballot papers would be distributed between 3 and 5, and this has been the precedent all along. In spite of that, no member-body objected or suggested that the election should be postponed. Under these circumstances, it is unfair that the proceedings of this conference should be held up, because some of us feel that we should elect the members after certain resolutions are passed. I can assure you that if we pass certain resolutions which we find we are not in a position to carry out and if we happen to be elected, I at least would resign if I find that I cannot carry out the intentions of the resolutions. You need not worry about it.

Mr. H. P. Bagaria : We do not want to create that situation.

Mr. G. D. Birla : The agenda is before you. It has been before the member-bodies for some time now. No one took any objection

all this time, and suddenly at the eleventh hour, if certain objections are raised, it is unfair.

Mr. R. K. Sidhwa: I may point out that it is mentioned here that the election will take place today, and that the ballot papers will be issued today. . . .

Mr. A. D. Shroff: Will you not be good enough to take the sense of the House on this subject which, some of us consider, has assumed a very controversial aspect?

Mr. H. P. Bagaria: What is the harm in postponing the elections till tomorrow?

Mr. B. Das: Mr. President, I think my friends Messrs. Shroff and Bagaria know every member who is present here. I do not know why they are shouting as if they do not know the procedure. Both these gentlemen know each and every member whose name has been proposed to this committee.

Mr. H. P. Bagaria: We have not yet finished the business.

Mr. B. Das: Every year this has been the practice.

Mr. H. P. Bagaria: Only last year this question arose.

Mr. B. Das: I have been accustomed to obstruction all my life and it will give me great pleasure to obstruct business. When I find such stalwarts like Mr. Shroff adopting an obstructive attitude, I feel that if he becomes a member of the Assembly he will be able to indulge in these fireworks. I do appeal to Mr. Shroff and Mr. Bagaria that if they want to change the procedure for the next year, let them put down an amendment to the standing orders and rules. I see that the Press gallery people are here in full strength and let us not exhibit ourselves in a manner which will not be conducive to the good name of this Federation. Let us follow the usual procedure this time and if next year we want to change, let us do so.

Mr. Ratilal Mulji Gandhi: It is not a question of Mr. Shroff or Mr. Bagaria or Mr. Sidhwa. If you will kindly take the sense of the House you will know what is the feeling of the House on this matter. I believe it has been said more than once here that most of us desire that the elections should take place after we know several things that are going to come before this House and unless and until we know what is coming before the House and how the proceedings

are conducted, several of us believe that we should not take part in the elections. As there is a strong feeling on this subject, we request you to take the sense of the House and if you find that the sense of the House is to carry on the elections here and now, we are quite willing. The majority of us think that the elections should be postponed. The question of rule or procedure has been mentioned. I do not think this is a matter of convention. It is a matter of procedure that elections should be taken up on a particular day. The election can take place either at the beginning of the session or at the end. In the present circumstances, I think it would be more desirable if the election affair is taken up at the end of the session.

President: I would point to Mr. Shroff and Mr. Gandhi that we have got enough differences and enough weaknesses in our body and we do not want to add to them. This agenda has been before the member-bodies for more than 14 days and none of them has made any single suggestion on this subject. This procedure has been followed every year and not a single suggestion has been made. I do not think that there is any hardship to anybody. If however there is a general desire that the rule and the procedure should be changed, this can be done at the end of the session but I do not see any point in deferring the consideration of this subject. I will appeal to you gentlemen not to add to our differences and our weaknesses.

Mr. A. D. Shroff: You can carry on your election. We will leave for the present and rejoin you later.

President: I am sorry you look at it in this way.

Mr. H. P. Bagaria: What is the harm in taking the sense of the House?

President: The Secretary will now distribute the ballot papers.

At this stage some fourteen members walked out of the Hall and did not take any part in the election of the Committee.

(Ballot papers were then issued to the Representatives).

Mr. A. R. Siddiqi: Before the voting is closed, may I inquire if those delegates that have not paid the fee of Rs. 20 will be allowed to vote?

President: As regards the delegates' fees, as there is so far no rule in the constitution, the suggestion made therein should be

treated as a donation if you like. Therefore, those that have not paid the delegates' fees cannot be debarred from voting.

The House adjourned for half an hour for purposes of election.

President: I would like to know if any gentlemen have still got the ballot papers with them, yet to be deposited in the ballot box: I shall allow five minutes more. Meantime the next resolution will be taken up.

INCOME-TAX.

Sheth Kasturbhai Lalbhai (Ahmedabad Mill-owners' Association): Mr. President and brother delegates, I beg to move:

"The Federation expresses its deep dissatisfaction with the entire Income-tax policy of the Government and urges upon them to give effect, as early as possible, to the following demands of the mercantile community :—

(a) To abolish altogether the surcharge now levied on Income-tax and Super-tax.

(b) To lower substantially the present high rates of Income-tax and Super-tax.

(c) To raise the amount of minimum taxable income from Rs. 1,000/- to Rs. 2,000/-.

(d) To amend the Income-tax Act so as to provide for a set-off for losses sustained in any one year against profits for three subsequent years.

(e) To provide that appeals from Income-tax Officers both on points of fact and law should lie to an independent tribunal."

Sir, the importance of the resolution I have the honour to move will be gauged from the fact that no less than about 8 associations from different parts of the country have tabled this resolution. It shows how keen is the feeling in this matter all over the country. This resolution is desired to be move at this session, not only by Bombay or Ahemadabad, but by Bangalore, Rangoon, Madras, Cawnpore, Lahore and Karachi. I do not know whether there has been any resolution on the agenda of this federation which is desired by

the commercial community of India so much as the one that I have the honour to move. If you look at the history of the income-tax, you will find that some 15 or 17 years ago the income-tax that was being paid for incomes was not more than four or five pies in the rupee. If I remember aright even during the stress of the war, when Sir Milliam Mayer was the Finance Member he did not raise it by more than half an anna. If at such a contingency as the war it was not thought proper to raise it by more than one anna, surely the necessity of taking it to its present heights is absolutely uncalled for and unwarranted. There has been no taxation which the Government of India has levied on the commercial community which has had such a rise as the income-tax. From 4 or 5 pies in the year 1916 or 1917, they have slowly but surely taken it up to something like 50 or 55 pies today—that is, there has been a rise of something like 15 times or 1500 per cent, as compared with 10 per cent. or 20 per cent. or even 50 per cent. with reference to import duties and other taxes. It may be argued that income ought to be taxed. I do not for a moment dispute the argument, but what I desire to press upon the government is this: that the limit of taxing has not been reached today, but had been reached four or five years back, when the income-tax was raised from 1 anna to one anna and six pies. Any further increases that they have levied upon the commercial community have acted definitely as a check on the industrial and commercial activities of India as such. If you consider or compare the income-tax that is being paid by various countries, you will find that barring Great Britain there is no country in the world which is paying such high rates of income-tax and supertax ; but we cannot compare ourselves with Great Britain which is at least 30 or 40 times or even perhaps a hundred times richer than our poor country. Great Britain is a fully developed country as far as its commercial or industrial activities are concerned. Our industries are still to expand and if they are to be allowed to grow, there must be the necessary saving with which we can expand our industries. If Government is going to take away 25 or 33 per cent. of our incomes earned, I do not know how the capital required for the various industries is going to be provided. In England as I say, where the incometax is the highest, it is only 5s. or 5s. 3d. in the £. Compared with that we have to pay as much as 4a. 6p. in the rupee. That is to say, our percentage will work out a bit higher than what it is in Great Britain. It is argued that it is most necessary in these times of depression to raise the purchasing

power of the people. True. But if the very money with which the purchasing power of the people can be improved is going to be taken away from them by the government I do not know where that improvement is going to come from. Government's expenses have increased during the last ten or fifteen years many-fold, and the one way that they have found out of making up their revenue is either taxing the income-tax payer or raising the customs duties to an unlimited extent ; so much so that if you look at our export figures you will find that the amount that we receive from exports practically amount to the amount that is being paid out to the government in taxes, whether it be central or provincial. It may be argued that if Government were not to tax the people who are earning incomes where are they to find the wherewithal to carry on the government? I submit that if government is so minded, it is very very easy for them to do so. As all of us remember government appointed sometime back a capitation committee consisting of two or three Indian judges of prominence and three people from Great Britain. I understand that Great Britain owes to our country the vast sum of something like 7 crores of rupees and our Indian representatives came to the conclusion that by right it belongs to us, and it should be paid out to us, without the least delay. Government has been sitting silent, absolutely silent over the report that has been submitted by the capitation committee, and I do not know whether any Assembly Members have been at pains to find out what has been done with regard to the committee's report. If such large funds go unaccounted for, it is not difficult to understand that Government will naturally come forward asking for more funds. But the only way in which the Government can reduce these taxes is either by reducing the abnormal expenditure they are incurring in the civil and military administration of this country and by demanding of Great Britain such funds as are owed to this country by Great Britain. I submit that there has been an overwhelming case made out for the immediate reduction immediately of the surcharge that has been levied in recent years. As I say, even if there was any necessity for the Government to raise the tax to any level higher than one anna, then surely there is no case for the Government to levy as much as 4a. 6p. from the commercial and industrial public of India.

Coming to clause (c), I beg to submit that as most of us know, before the year 1924 or 1922—I am not sure of the exact year—

incomes below Rs. 1,000 were completely exempted. Since then as most of us know the cost of living has gone up considerably. What could satisfy a man easily before 1920 with an income of Rs. 1,000 a year would hardly enable him to make both ends meet in the present circumstances. When Government found that there was a deficit in the budget, they did not consider this much that it was treating an ordinary jobber or workman earning 80 or 100 rupees a month more harshly than the highly paid officers who are drawing three or four or six thousand rupees a month and over and above other concessions they get they came forward with their proposals asking these poor people to contribute their mite to the deficit in the budgetary position of the Government of India. For instance, what is the position of a person earning about Rs. 80 a month or Rs. 1,000 a year? As things exist in this poor country he has got a wife and two or more children to support. It may be enough for him to clothe them and to feed them and to provide for house rent. But what happens to him if there is some illness in his family? Doctors who were charging 2 rupees some 10 or 12 years ago are now charging 5 or 7 rupees: medicines which were selling for 6 annas are now sold at 10 or 12 annas because of the higher import duties. Clothing and the various other articles which form part of the cost of living, have not gone up as much as they were a few years back: but still many of the items are such that he cannot carry on possibly without incurring a heavy debt. Is it desirable in these circumstances that such a poor man drawing Rs. 80 or Rs. 90 should be taxed by the Government to the extent of Rs. 40 or Rs. 50 per annum? I therefore submit that the minimum of taxable income be raised to Rs. 2,000 from Rs. 1,000.

Now, Sir, coming to clause (d), I submit this is not also a new procedure we are suggesting to the Government. Up to the year 1923 or 24, losses in business were being allowed to commercial and industrial concerns. It was only in 1923 or 1924 that Government by a mere stroke of the pen not only took off this set off but they began to earn a double income. What did they do in that year? They took off the proviso under which this set off used to be given. It is but natural that when Government claims a share in the profit that a business or industrial organization makes, they should allow a set off for any losses that such industrial or commercial organization may make in a particular year. I hope Government will see the justice, equity and legality of our demand as far as this clause is

concerned and assist the commercial community by meeting our demand.

Then, sir, I come to clause (e). This clause, if not acted upon in the very near future by the Government will perhaps drive many of us to take to bolshevism, if I may say so, because the inquity is so great and so pregnant, that when I came to Delhi, I had some conversations with a few friends, and I found that there was not one centre which did not complain and complain bitterly about the ways adopted by the Income-tax department. Instead of legally and correctly charging income-tax from the various constituents, they have become what is called the money grabbing department, if I may be permitted to use that term. I shall just cite one or two instances which will show to the House that justice is not being done by the incometax department to the assessees. There was a case in Ahmedabad where a particular company was assessed to incometax. What did the incometax department do? They wanted to take the opening balance at the prices which were accounted for in the books of the company, but they wanted to alter the closing stocks that were taken. Any ordinary business man will understand that profit cannot be accounted for unless you take the opening and closing prices. If you take up fictitious opening prices and put down the market price or the price that is ruling at the closing of the year, you will not be able to arrive at the profit for the year. In order to arrive at the profit of the year, you should take both the opening and the closing stocks at particular prices. If the opening stocks were devalued, that is to say, instead of valuing stocks at their proper price the profits earned are not profits earned in a particular year. In spite of this irregularity, the Incometax department took it into their heads and said that they could legitimately charge the incometax by altering the closing prices without any regard to the opening prices. The case was referred to the High Court. The High Court gave a decision in favour of the assessee. Government were not satisfied with it. Government went to the Privy Council which confirmed the judgment of the High Court. That also did not satisfy the Incometax department of the Government of India. As far as that particular case and similar cases were concerned, they collected whatever incometax was assessed from the companies for that particular year, but in the next year they adopted a different plan. What did they do? They did not assess the tax neither on the opening or on the closing stocks, but they

said this that the balance sheet was a proof that the companies had made those profits, and without a proper adjustment they said 'we will charge you on those incomes'. Naturally as the stocks were being devalued and as justice was not done, they again referred the matter to the High Court. What could the poor High Court do in a matter like this? What they said was this. Here is a matter of fact, and the High Court is barred with interfering with any questions of fact. The result was that one or two companies which were involved in this had to pay something like Rs. 85,000. You will realise gentlemen, what the position of those companies would be in these times of depression when they are called upon to pay Rs. 85,000 as incometax, which is absolutely inequitable and illegal. As I said, Sir, the incometax department instead of their working for the benefit of the people and the Government alike has been working like a money grabbing department of the Government of India. That is the feeling that exists among both the general public as well as the commercial and industrial organizations. As I said, it is not one or two associations that demand that Government should look into this matter, but it is the strong feeling that exists all over the country among all classes of people. It is very unfortunate that today unfortunately we are not in a position to have the Government Members here to face the situation and to let us have their views on this very important subject which is agitating the minds of the Indian public, but I am certain that if they come to know, if the highest officials of the Government of India come to know of the acute feeling that is felt both by the commercial community as well as the general public in this matter, they might open their eyes to the realities and give some relief in the matter. I therefore urge that this Resolution as moved by me should be adopted by the Federation.

Mr. Begraj Gupta (Marwari Chamber of Commerce, Bombay) spoke in Hindi in support of this resolution. The following is the English version of his speech :

Mr. President and Brother Delegates,

For the last so many years, the Federation has been inviting the attention of the Government of India towards certain amendments which are absolutely necessary and must be incorporated in the Indian Income-tax Act. It is regrettable to note that the Government have done practically nothing in the matter, inspite of

the unanimous demands of the entire mercantile community of India, to amend a number of harmful and unjustifiable provisions of the Indian Income Tax Act. In effect, the Government appears to have chosen in the past, not to deviate from their prescribed policy in regard to Income Tax, howsoever intense and unanimous our feelings may have been, and howsoever weighty and substantial reasons we may have advanced in support of our demands in this respect.

To begin with, Income Tax was levied at first, so far as I am aware, at the time of the Afghan War. An assurance was given that the imposition of the income tax had been rendered necessary owing to the abnormally heavy expenditure in connection with the Afghan War and that the tax was only of a temporary nature. You are all aware what happened later on inspite of that assurance. The Income Tax ceased to be temporary and was given the permanent lease of life. Then, from time to time, not only the rates of Income Tax were raised but the business, trade and industry were also burdened with Super Tax and Sur-charges. I feel certain, Gentlemen, that we all realise how the Government, by a well regulated process, made permanent the Income Tax and the Super Tax which were said to be of a temporary nature in the beginning, and I am sure that even the Surcharge which is regarded temporary at present, will be sooner or later, put on a permanent footing. I feel very strongly on the matter and regard the way, in which Income Tax, Super Tax and Surcharge have assumed present proportions highly improper and completely unjust.

Gentlemen, whatever may be the form of Government, it is essentially necessary to raise funds to carry on the work of Government. No body can deny this fact nor contend the right of a Government to raise revenue by resort to taxation. But the system of taxation should fulfil the two most essential conditions:—In the first place, burden of taxation should be such as may be borne by the people without undue pressure and hardship. In other words, Government should so adjust their machinery and the consequent running expenses thereof that the people may find it possible to bear the necessary taxes, in consonance with the growth of economic prosperity of the country.

The second essential condition in regard to a sound system of taxation is Equity. The burden of taxation should be *proportionately distributed* over the people.

Gentlemen, I am of opinion that so far as the Government policy in regard to Income Tax is concerned, it does not satisfy the above-mentioned two essential conditions. It is arbitrary and unjust and contains provisions which positively retard the natural progress of the economic, business, industrial and commercial life of our country. It would be absurd to suggest tax that the Government or their officials do not exactly understand the real anomaly of the position or that they do not recognise the gross injustice of the case. They can grasp the principles very well, but, I submit, they are, more often than not, compelled by sheer force of circumstances, to do certain things.

One of these helpless circumstances obtaining in our unfortunate country is that the high authorities consider it their sacred duty for reasons, well known to all of you, to employ persons in larger numbers than is absolutely necessary, at very high scales of remuneration in almost all the administrative and public services of the country. It must be borne in mind in this connection that the scales of public servants' salaries are proverbially higher in India than in any other country of the world. Another very important consideration is that the taxable capacity of the people has admittedly gone down to a considerable extent in recent years but the scales of salaries which were reviewed and raised at the time of boom in business and trade when the taxable capacity was also naturally at a high level, continue to be the same, even when the standard of living is cheaper, trade depression of an unprecedented nature has set in, unemployment has become acute, huge losses in business have become the order of the day and consequently the taxable capacity of the people is at the lowest ebb. All these things have been said so many times and on so many occasions by the representatives of the public that I hardly need deal with them in details. I shall, therefore, content myself with the inevitable conclusion that the Government policy so far as it relates to the existing Income Tax, Super Tax and the indefensible Surcharge has made the burden literally unbearable.

I refer you, Gentlemen, to the speech, the Hon'ble Sir George Schuster made at the time of introducing the Budget in the Legislative Assembly. Alluding to the restoration of 5 per cent. cut in the salaries of the Government employees the Finance Member had said that the Government would be able to recover this additional

increase of rupees 108 lacs in the salaries through the Income-Tax surcharges. I would like to ask the Government whether the Income-Tax sur-charge is levied for finding revenue for restoring the cut in salaries. Can Government justify their action in view of the fact that the cost of living has almost gone down to the pre-war level of prices? I venture to suggest that immediate steps be taken to reduce the scales of salaries of all Government employees in view of lower level of prices and I hope, under those circumstances Government will have no objection to reducing the present rates of the Income Tax to the pre-war rates.

Gentlemen, the demands, contained in our resolution, are so clear and just and the entire mercantile opinion has repeatedly expressed itself in favour of them that a long speech is hardly necessary. Income-Tax surcharge is highly objectionable and unjust. Our request to the Government is that they should altogether abolish this unjustifiable sur-charge. Moreover, the rates of income-tax in the present times of severe trade depression have proved literally unbearable, and therefore require heavy reduction. I hope that the Government will not as usual turn a deaf ear to our requests but will pay their most serious consideration over the question of reducing the existing high rates of Income Tax and Super Tax. Gentlemen, you are aware that the income limit was lowered from Rs. 2,000/- to Rs. 1,000/- by the Supplementary Budget with effect from November 1931. This lowering of income limit has hard-hit the middle class people who are the greatest sufferers in all abnormal times. I am sure that if the highly paid Government officials could have known the average conditions of living of this class of people who have very often to support and maintain a big family, they would never have favoured the lowering of the income limit to Rs. 1,000/-. The half way measure recently adopted by the Legislative Assembly that the scale of tax be reduced to half on the incomes ranging between Rs. 1,000/- and Rs. 1,500/- will not bring about the much desired relief. I shall therefore, earnestly urge upon the Government to reconsider their decision and raise the minimum limit of income to Rs. 2,000/- as before.

I must give expression, here, of my feelings of surprise and regret at the remarks the Finance Member was reported to have passed regarding the village money lenders. In support of keeping the minimum income limit at Rs. 1,000/- it was said that the 50

per cent. assessees, as were affected by the change, were the village money lenders who hardly deserved any sympathy. It is difficult for me to find out what unpardonable sins the village money lenders may have committed that the Government are forced to regard them unworthy of even ordinary sympathy. I have got actual experience of village life and I have had opportunities of observing minutely the life of a village money lender. He is not so despicable a creature as the Government regard him to be, nor is he so well-to-do and prosperous as he is generally represented. I can assure you, Gentlemen, that his financial difficulties are comparatively much more than ours. For more than 70 per cent. of such assessees in villages, wheat bread is a thing of luxury, meant only for the ceremonial occasions or the religious festivals, and the wonder is that such people are considered by the Government as unfit for their sympathy. The whole of his petty capital is locked up in bad and doubtful debts, while as a matter of fact he is hardly in a position to recover his own outstandings, from the poverty-stricken farmers who are themselves helpless and are reduced to utter destitution. Even granting for a moment that a village money lender is what he is depicted to be, he is a permanent resident of the village and in the long run the village and other towns do obtain some economic advantage or the other by his presence. I am sure the Government authorities will think twice before offering uncalled for and unjust remarks towards an entire class of people.

I would now like to say a few words regarding carrying forward business losses of one year as set off against business profits of the next three years. This question is of greater importance than it appears on the face of it. The present Income Tax Act has got several provisions which are absolutely wrong in principle. The essential conditions about income tax is that it is a tax on income. In the absence of any provision to carry forward losses in next years, the tax actually becomes a tax on capital. This is obviously negation of law from all points of view. I shall endeavour to make my point of view clear by means of an illustration which will show how businessmen are unlawfully and unjustly taxed, with the result that their capital is depleted. A merchant buys some goods and incurs losses to the export of a lac of rupees, chiefly owing to the easier prices. He pays no income tax at the end of the first year. Next year the prices go up at the end of the year and his stocks are valued at higher prices and in the fertile imagina-

tion of the income tax officer, that merchant makes a profit, say, to the extent of a lac of rupees. From the business point of view the net result of his two years working of business is that he neither gains nor loses, but the over-zealous Income Tax Officer charges income-tax on the so-called income alleged to have been made by the businessmen. If this process be continued for a number of years more, I am sure a very large portion of the business capital will have been secretly depleted. I venture to ask the Government and their official experts whether in such cases Income Tax is really levied on capital or not.

I shall also place for the consideration of the Government a few facts more which will convince them of the strength of our demands. The Government Taxation Enquiry Committee had to admit in their report that there was substantial strength in the demand for provision to carry forward one year's business losses as set off against next years' profits. Further, the existing income tax law in England also contains the very reasonable provision which our resolution demands from the Government. In the beginning, the income tax was levied on an income taken from an average for three years' profits and losses. Later on, in accordance with the recommendations of the English Royal Commission, the income average is taken on six years' profits and losses. This is prevailing even at present.

From the above, it will be seen that our demand for levying income on three years' average is moderate and legitimate ; and I hope that the Government will give effect to it without any further loss of time.

Before I resume my seat, I feel compelled to invite the attention of the Government to certain facts. They are aware of the peculiar difficulties through which industry and business have been passing in recent years. On one hand businessmen and industrialists have to face severe effects of a world wide trade depression and on the other hand there is uncertain and tense atmosphere due to the national demands of the country remaining unsatisfied. Under these circumstances, there have been very heavy losses to the businessmen who are least capable of bearing highly crushing burden on Income Tax, Super Tax and Surcharge. I hope and trust that Government will give instantaneous relief to the businessmen by reducing the burden of taxation.

With these words, Gentlemen, I commend the resolution for your unanimous support.

Mr. H. P. Bagaria (East India Jute Association Ltd., Calcutta) :—

The administration of the Income Tax Department has become really a scandal. You know that there are always rumours in the speculative market and the earnings of a man are very much exaggerated. On such rumours the Income-tax department tried to realise Rs. 20 lakhs from a member of my association and the man had to close down his business because he did not know what his liabilities may be. For three years he had to fight very hard. He did not do any business and he succeeded in his assessment being reduced to only Rs. 60,000. In another case a man has been assessed at one lakh and 80 thousand and because he did not fight properly he had to pay one lakh and eighty thousand rupees. In another case a man has been assessed at 4½ lakhs of rupees and he was given notice that if he failed to pay by a certain date proceedings will be taken against him and because he could not pay by that date his property was attached. I submit that we should not rest content by passing this Resolution. We should take some tangible action. I think the Federation should engage the services of some first class lawyer and agitate this matter properly. If some such step is taken my association is prepared to contribute its share to that end. I hope in the interests of the business community we will do something more in this direction.

Mr. Mohanlal A. Parikh (Bombay Shroff Association) :

Mr. President and Brother Delegates, I have great pleasure in supporting the Resolution so ably moved by my learned predecessor. The resolution refers to the entire Income-tax policy of the Government as also to several specific grievances of the Commercial Community which require immediate redress. The entire Income-tax policy of Government is highly objectionable both from the standpoint of the principle which guides the framing of the Income-tax Law and also from the mode of its administration.

Dealing first with the administrative aspect, the law with regard to the method of assessment despite repeated protests from the Commercial Community has been gradually tightened irrespective of considerations of equity or its oppressiveness. What is most provoking to the assessee is that apart from bearing the heavy burden of taxa-

tion, he has to undergo a very annoying, vexatious, arbitrary and harassing method of assessment. The present method of assessment vests wide and autocratic powers in the hands of the Income-tax officer with the result that the assessee does not get proper justice. The attitude of the Income-tax officer is generally very over-bearing and unsympathetic towards the assessee. The examination of accounts is of a too detailed and fishing character and is carried out not with a view to arriving at correct assessment but with the sole object of increasing the same and discovering new assessees. Assesseees are squeezed as Income Tax Officers have to make up the quota fixed in advance. If they do not make up, then their prospects suffer. Further, the appeal against such an assessment lies before a superior officer of the same department who cares more to uphold the decisions of his lower officers than to look to just objections of the assessee. The assessee is thus denied proper justice even in appeal. The only certain chance of the assessee feeling that justice is done is when he has the means to pursue the matter to the High Court and his case involve question of law, (the cases of facts being debarred from appeal) and in majority of cases the amount at stake is disproportionate to the expenses of a reference to the High Court. The whole system of assessment from bottom to top is therefore arbitrary and prejudicial to the best interests of the assesses. Misuse and abuse of powers are bound to arise when unfettered powers and wide discretion are vested in the executive officers. To check this evil, it is absolutely necessary that the present method of assessment should be revised and that the principle of popular control in assessment should be introduced and that the appeal should lie before an authority unconnected with the Income-tax department. A Bill on these lines introduced by Sir Hari Singh Gour is already before the Select Committee of the Indian Legislative Assembly and it is hoped that Government will accept the main principles of the Bill though they may differ with regard to its details. The revision of assessment on principles indicated in the Bill can only remove the harassment now caused to the assessees.

I will now come to the second part of the Resolution which refers to the specific demands of the Commercial Community and I will give the first place to the last demand as it is most useful and relates to the fundamental principle of taxation. In this demand we ask Government to amend the Income-tax Act so as to provide for a set off for the losses sustained in any one year against profits

of three subsequent years. Sir, as a matter of justice, the losses should be allowed to be carried forward till they are wiped out by profits of subsequent years. Such a system of assessment is prevalent in many countries. But as Government here advance the plea of administrative difficulty in carrying out this reform we have not put forward an ideal demand and have even agreed to water down our original demand to extend the basis of assessment for a period of six years to three years. Even in the United Kingdom, the period for a set off is for six years. Our demand therefore is neither inequitable nor pitched too high. Sir George Schuster had admitted the justice of our claim and promised in his speech on the Budget for the year 1930-31 to make a beginning by giving the right of carrying forward losses till another year. But even this partial relief is withheld on the plea of financial difficulties of Government. At present, in absence of this right of carrying forward of losses, income-tax is a charge not on income, but on capital. Every year, the capital outlay of the merchant and of the industrial concern is being reduced under such a blighting levy. As a result many business concerns and firms have been ruined year after year. It is therefore urgently necessary to give relief to the Commercial Community in these times of unparalleled trade depression by conceding this right of a set off for three years.

Dealing with the necessity of substantial reduction in the present high rates of Income-tax and Super-tax and abolition of surcharges levied on the same, I have to point out that Income-tax was first introduced in 1886 and since then on one pretext or another, income-tax rates have gone on increasing irrespective of the consideration of the taxable capacity of the assesses. During the last two years income-tax rates including surcharges are nearly doubled, while trade depression during the same period is the most acute ever known. Trade, Commerce and industries are languishing on the one hand under the pressure of unparalleled depression and on the other, under the burden of ever increasing taxation. When trade is depressed, it is the duty of Government to give relief to the Commercial Community by reducing taxation. But instead of giving any relief, the rates of income-tax and super-tax are nearly doubled and further the minimum taxable limit is reduced from Rs. 2,000/- to Rs. 1,000/-. The Commercial Community has been made to suffer and practically reaching a stage of ruin for the sake of the financial difficulties of Government. It is most deplorable that the Commercial Community

which has suffered so much should have been so badly treated this year by Government by refusing relief in resptct of the abolition of income-tax and super-tax surcharges from a surplus Budget. Government have restored the 5% salary cut of their Civil servants prior to giving any relief to the Commercial Community. Not only this but for the next year, Government have laid down the principle that the restoration of the remaining 5% cut would form a first charge on the surplus revenue prior to any reduction in taxation. Sir, this clearly shows that Government are quite indifferent towards the interests of the Commercial Community. We must strongly protest against such an attitude of Government and bring pressure upon Government to give relief to the Commercial Community by abolishing surcharges and reducing substantially income-tax and super-tax rates.

I will now come to our demand with regard to raising the minimum taxable income from Rs. 1,000/- to Rs. 2,000/-. Sir, the levy of income-tax on an annual income of Rs. 1,000/- is a very heavy burden on the lower middle class people and entrenches upon the bare necessaries of life. Further, it has given a wide scope to the Income-tax Department to send notices for submission of returns on all and sundry such a Panwalla, Bidiwalla, Milkman, Ghariwalla, etc. These people generally keep no accounts and do not understand what is required from them in the notice. These people are as a result summarily assessed and have to pay what is demanded from them irrespective of the justice of the claim. In order to set right this mischief, it is urgently necessary to raise the minimum taxable limit to Rs. 2,000/-. However, till this is done, I would suggest that all notices etc., to assessees under Rs. 2,000/- should be sent in Vernaculars which they understand. This will at least help them to escape from the summary assessment, to which they have to submit to owing to ignorance of procedure.

The resolution re: Income-tax was put to vote and was carried unanimously.

STATUTORY RAILWAY BOARD.

"The Federation emphatically opposes the proposal for Parliamentary legislation on Indian Railways as it is not only tantamount to a repudiation of the autonomous powers of the Indian Legislature but militates against the elasticity of the

machinery which must needs accommodate itself to the demands of Indian transportation problems.

The Federation, therefore, is strongly of opinion, that in the interests of Indian trade and industry no proposal for a Statutory Railway Board will be acceptable unless constituted by an Act of the Indian Legislature.

The Federation deprecates the formulation of the proposal for the Statutory Board, as suggested in the White Paper, in the absence of any adequate consideration or discussion at the sessions of the Round Table Conference and without consulting Indian commercial opinion on the matter."

Mr. G. L. Mehta (Indian Chamber of Commerce, Calcutta): The resolution which is placed before you has been altered from the one drafted, which you find in the agenda. I suppose you must have got the supplementary agenda by now and have read the amended Resolution. There is only one slight change in the wording in clause 3, that is for the words 'consulting Indian opinion,' it is proposed to substitute 'Indian commercial opinion'. I do not think it is necessary for me to read the Resolution because it will save me a few seconds. Since this Resolution was first drafted by the Committee of the Indian Chamber, the White Paper has been issued and that is one of the reasons for altering this draft. Gentlemen, there has been nothing short of a conspiracy on the part of Whitehall, the Government of India and the British commercial community in regard to the question of setting up a Statutory Railway Board. There has been, if I may say so, a plot hatched behind the backs of the three Round Table conferences and their ancilliary Committees and of the Legislative Assembly in this respect. I will not go further than the Government of India Despatch on constitutional reforms of 1930 on this question. The Government of India Despatch laid down that there were four purposes in which Parliament was specially interested and these purposes required to be safeguarded and they therefore suggested the setting up of a Statutory Railway authority for the management of railways. The meaning of this, gentlemen, is plain. The proposal for the setting up of a Statutory Railway Board meant that it would be independent of the control of the Indian Legislature for all practical purposes.

Now what were these four purposes in which Parliament was specially interested and which needed to be safeguarded? The first

was defence, the second was finance, the third was the security of the services and the fourth was the Anglo-Indian community. Gentlemen, we are all aware that the Government of this country does not feel anxious about temporary evils or temporary maladies like poverty or unemployment or trade depression or illiteracy. They only care for permanent evils and issues like war and invasion, law and order, the security of the services, and the prospects of unemployment for the Anglo-Indian community and the interests of the British investors. The first subject which they mentioned as needing to be specially safeguarded was defence. You are all aware that the strategic railways entail a loss to the Railway Budget. The intention is that in future no questions should be raised about items of expenditure incurred in respect of strategic railways so that the Railway Department would in this matter be an adjunct of the military department and be untouchable. As regards finance, I will come to that later on. But, gentlemen, you are aware that, if anything, the financial solvency of the Indian railways and their sound economical and efficient management is as much the concern of the Indian Legislature as much the concern of the Indian ministers and as much the concern of the Indian public as that of any foreign investor. The Government of India Despatch over-emphasized the need of safeguards and did not consider the several drawbacks in the parliamentary control of the railways. At the first Round Table Conference this question was not discussed at all,—either in any of the committees such as the Federal Structure Committee or in the plenary session. Yet when the stage of reporting came, Lord Sankey, the Lord Chancellor and the Chairman of the Round Table Conference, read out a paragraph which ran as follows :—

"In this connection the sub-committee takes note of the proposal that a Statutory Railway Authority should be established and are of opinion that this should be done if after expert examination this course seems desirable."

Immediately one after another, four Indian delegates, Mr. Sastri, Mr. Jinnah, Mr. Jayakar and Sardar Ujjal Singh got up and protested that this matter had never been discussed and was smuggled into the report. Lord Sankey thereupon said that H. H. the Maharaja of Bikaner had referred to this question and that it was at his suggestion that it was put in. Up then rose H. H. the Maharaja of Bikaner and he said: "I never used the word

'statutory authority'. I referred to the Railway Board exercising functions such as it has now." Nevertheless Mr. Jinnah afterwards protested and Lord Sankey, in his usual phrase, "noted the objection". It is a great gain that all the objections of our Delegates have been noted by Lord Sankey. Sir, the Liberals of the future generation will find them very useful (Laughter). But despite this noting, a recommendation which was never discussed at the Round Table Conference was put into the report of the First Round Table Conference and passed through all the three Round Table Conferencess and now finds a place in the White Paper itself. Gentlemen, then there comes on the scene a mysterious figure called Brigadier-General Hammond. He was asked by the Secretary of State to prepare and submit a report on the question of a statutory authority for Indian railways. We do not know what the credentials of this Brigadier-General were. So far as I am aware, neither the Round Table Conference nor the Assembly was ever informed or consulted about his appointment. The one qualification of Brigadier-General Hammond for investigating this question was that he was entirely ignorant of Indian railways. Gentlemen, in the peculiar conditions of India, ignorance is a sign of impartiality. That was one of the reasons for the appointment of the members of the Simon Commission and of some of the members who toured India last year in connection with the Round Table Conference Committees. Sir, when a Britisher is ignorant, he is supposed to be impartial, and when he is biased, he is called an expert (laughter). It was this Brigadier-General Hammond who submitted the report, which, I believe, was ready in August 1931, and although the Second Round Table Conference met after three months, so far as I am aware it was never placed before that Conference and it never saw the light of the day until it was flung in the face of the astonished members of the Consultative Committee, whom by the way some people call the Insultative Committee (Laughter). When the report was placed before them, even this committee by an overwhelming majority refused to agree to the setting up of a statutory authority through parliamentary legislation and suggested that it should be the Federal Legislature which should set up the Statutory Railway Board and only two members dissented from this proposal. But, as two members dissented, the Government said that there was no unanimity and therefore the decision was left over to the British Government. This was a sound method of constitutional procedure. You have a packed committee of Government supporters and since there are

always one or two such dissentients, the final decision is taken by His Majesty's Government. In the meanwhile in the famous Benthall circular which was published rather inconveniently by a paper in Calcutta, it was stated that Ports and Railways should be taken out of political control ; and the representatives of the British commercial community said in the Legislative Assembly last year, when there was a debate on this question, that the railways in the future constitution should occupy a place analogous to Port Trusts. Sir, we know what position and status the Port Trusts occupy in respect of Indian public opinion and it was not difficult to see what was in store for us. The White Paper has now come and it has embodied this proposal. In the crucible of the Round Table Conferences, by some strange alchemy almost every important department of national life has become a safeguard: whether it is peace or tranquility, whether it is minorities, whether it is the Princes who are part of the Federation, all these have become safeguards. Even Christianity has become a safeguard as witness the Ecclesiastical Department being reserved so that even Jesus Christ himself seems to need the protection of the bureaucracy of India! And even the Federation itself has become a safeguard. If you want a Central Bank, it is made a condition precedent to the establishment of the Federation and a safeguard ; if you want financial autonomy, it is made a safeguard and the Governor-General is invested with a dozen discretionary, emergency, special and other powers and there is a Financial Adviser on the top of all that. And if you want some element of popular control over defence or external affairs, there are Counsellors to be appointed instead of Councillors. Gentlemen, it would seem that this change in spelling from Councillors to Counsellors is a great constitutional advance (Laughter). Similarly when you go over the whole gamut of it, the Railways also have become a safeguard. I will not waste your time by reading out paragraph 76 of the White Paper which deals with this question but will try to show what are its implications. In the first place, as the Statutory Railway Board would be set up through a parliamentary statute, it will be an integral part of the Constitution Act. Now our objection to having a Statutory Railway Board set up through parliamentary legislation is not a mere formal objection regarding procedure. It is a very fundamental objection because, unless the Statute of Westminster is applied to India, of which, I am afraid, there is no immediate hope, the Indian Legislature will not have the power or the authority to modify, revise or amend a parliamentary

statute. The Indian Legislature will have only those powers which are given to it by the parliamentary statute and all the residuary powers will be reserved to Parliament and the manner in which and the extent to which the Legislature will control railway finance or railway administration or railway policy will all be laid down in the parliamentary statute. Gentlemen, it will be evident to you that no parliament, no outside authority can be permitted this right, particularly for such a public utility concern as the Railways whose Budget is equivalent to the civil Budget of the Government of India and which is of such vital importance to the trade and industry and agriculture of this country. To allow such authority to be removed from the purview of the Indian Legislature is really to undermine the whole policy which has been accepted and is being carried out in respect of the nationalization of the railways by the Government. Moreover, it will vest at least some amount of financial control in the statutory authority and it will therefore weaken the financial powers of the Finance Member and it will divide the financial responsibility of the Government of India.

Gentlemen, the grounds on which this statutory authority is proposed are twofold. One is that it should be run on business principles, and the second is that it should not be subject to political interference. As regards business principles, if it means that the railways should be managed in a sound, economical and efficient manner, surely, as I have said, we are as much interested in it as anyone else. After all, the revenues of the railways were raised not on the security of the assets of the railways but on the security of the general revenues of India and if there is any difficulty in paying the guaranteed interest charges, the first person who will be embarrassed and put into a difficult position will be the Finance Member of the Government of India before even Parliament comes to know of it and it is therefore to his interest that the railways are sound concerns. Secondly, the White Paper does not lay down exactly what is the nature of the control that the Government and the statutory authority will exercise. It is stated that the principle and details of this question will be settled by His Majest's Government in consultation with the Government of India. Therefore, the whole problem is still in the atmosphere of uncertainty. Brigadier-General Hammond, in fact, suggested in his report that the main lines of policy regarding, for example, the provision for interest and sinking fund charges or for depreciation or maximum and minimum

amounts to be set apart for reserves or the disposal of surplus profits, the contribution to be made to general revenues etc., should all be laid down in advance by the Statutory Act itself. If a certain portion of railway expenditure is to be earmarked as within the jurisdiction of the statutory board, even the existing powers of the Legislative Assembly and of the Finance Member will be taken away.

Gentlemen, one of the main grounds in support of these proposals is said to be that the railways should be free from political interference. Now political interference, gentlemen, has a peculiar meaning in India. It means the freedom of the bureacracy to do what it likes. Any sort of influence or meticulous control by the Legislature over the railways is always resented and has always been resented by our pinchbeck Mussolinis of the Railway Administration, who naturally do not like exposures of their deeds or misdeeds on the floor of the Legislature and who do not relish the vigilance of the press, the interpellations and the criticisms in the Assembly. They therefore would like as far as possible to be free from all this control. Sir, the railways in India are a very sensitive plant which cannot bear the light of the day. They are a delicate mechanism which cannot stand at all the glare of publicity. And the record of the Railway Board in this respect is very well known to us. It has been one of consistent defiance and disregard of Indian public opinion and Indian public interests whether in the matter of rates and freights, whether in the treatment of third class passengers and whether in the treatment that they have extended to Indian industries and commerce. Indians were shut out from the Railway Board until only the other day and today, gentlemen, if there has been some sort of check or limitation on the Railways, it is due to the vigilance of the Assembly and to public opinion having become a little more organised and insistent. But the whole point is that in the peculiar circumstances of India we do not know what politics is and what politics is not. It is not politics to set up a statutory authority through the machinery of Parliament and under the thumb of the Secretary of State for India, but it is politics to set it up through the Indian legislature and under the supreme control of the Indian legislature. It is moreover interesting to see that constant pressure and influence are brought to bear through the House of Commons and the Secretary of State in respect of several matters regarding the Indian railways. For example, there have been demands for speeding up Indian railway development so as to

help Railway orders in England. I am not making a vague allegation but something which is perfectly well-known. Sir Alfred Mond who was afterwards known as Lord Melchett said in the House of Commons a few years ago:—

> "When I was Chairman of the Cabinet Unemployment Committee, a scheme was put forward and was under consideration by which by the use of the Indian Government credit, supplemented by our own, we could obtain orders for the Indian railway programme."

Similarly Sir Charles Innes once admitted in the Legislative Assembly that in the Imperial Economic Conference of 1923 great pressure was exercised on him in order to speed up railway development for securing orders. That is one of the purposes in which Parliament is specially interested though it is never mentioned in the Government of India despatches. But to try to secure such orders through the Secretary of State and to use the influence and pressure of the India Office and even the Imperial Conference is not political interference. But if Indian economic interests are to be protected or benefited through the Indian legislature, that becomes political influence. I need add only one word more and it is this. After all, a small body of experts or functionaries has a greater temptation sometimes than the Assembly to degenerate into a political clique or coterie which would serve only one particular set of interests, which are not necessarily national interests. In this connection I will quote a very pertinent passage of Sir William Acworth himself. He has shown in one of his works that it is much better for an administration to be run subject to Parliamentary control than that it should be free from that control if it degenerates into a clique. Jobbery of the politician or of the political minister will not be so bad as the jobbery of a Commission clique which comes under backstairs influence. Discussing the conditions in Australia Sir William observed, "A Commission which though composed of individuals personally clean-handed is not strong enough to crush attempts at jobbery in its neighbourhood may be even worse for the public interest than a Minister who uses patronage for political ends. For a Minister can at least be watched and exposed in Parliament by political opponents, while a Commission can take shelter under the cloak of its statutory irresponsibility". This, gentlemen, is the final reply to those who prattle about "political interference".

What we object to is not the setting up of a quasi-independent body to whom the powers of technical management of railways may be delegated under the supreme control and authority of the legislature. What we object to is the setting up of a statutory body through Parliamentary legislation over which the Indian Legislature will not have the final control. After all rate structure and rate policy and terminal charges etc. have a great bearing on the trade and industry of the country. In other countries railway policy has been used to promote and assist national agriculture, national industry and national commerce ; if anything, the legislature should have more powers and not less in order to make the railways an instrument of national economic policy. But what is proposed to be set up by the White Paper is an *imperium in imperio* a state within the state which will be immune from public criticism and over which the legislature will not be able to have any effective powers. Therefore, gentlemen, if the Joint Select Committee or the Joint Parliamentary Committee or whatever name it is called by, has got any powers at all, the first thing it should do is to scrap the proposal for such a body. (Applause).

Lt. Sardar Sodhbans (Indian Chamber of Commerce, Lahore) : Mr. President, I rise to second the Resolution so ably moved by my friend Mr. Mehta. Mr. Mehta has referred to the history of the establishment of the Statutory Railway Board in extenso, and therefore I will only confine myself to a few remarks with regard to the working of the present Railway Board so that we may get an idea of what the new Statutory Railway Board might be. At present the Railway Board, although to a certain extent responsible to the Indian legislature, is managed or mismanaged by the officers who get no training at all from commercial point of view and they are appointed to manage huge commercial concerns which have been built from the Indian revenues. I remember once Mr. B. Das tackled this question of railway finances in the Railway Finance Committee ; and Sir George Schuster told Sir Alan Parsons, then Financial Commissioner that the accounts which were presented by him were not intelligible to the ordinary layman. In such circumstances you can very well understand what the Railway officers have been doing. The policy of the present Railway Board is such that Indian industries seldom get help in matter of freight. In these circumstances we do not know what the Statutory Railway Board would be. This question was considered by the Committee of the

Indian Chamber of Commerce, Lahore and they criticised it and they say that this statutory body is not wanted in the interests of India and they want that there should be absolutely Indian control over this Railway Board. Unless that is done there will be a great agitation in the country because Indians do not want that such a statutory body should be constituted over which they should not have any voice or control. With these words I second the Resolution of my friend Mr. Mehta.

The Resolution was put to vote and carried unanimously.

The Annual Session then adjourned for the day to meet again on the 16th April, 1933, at 12 noon.

SECOND DAY'S PROCEEDINGS

SUNDAY, 16TH APRIL, 1933.

The Annual Session commenced its sitting in the Delhi University Convocation Hall at 12 noon, the President, Mr. Walchand Hirachand occupied the Chair.

President: The next Resolution relates to Sugar Industry. I will now call upon Mr. Padampat Singhania to move the Resolution.

Lala Padampat Singhania (Indian Sugar Mills Association, Calcutta) in moving the resolution said: Mr. Chairman, delegates and friends, The resolution reads as under:

SUGAR INDUSTRY.

"This Federation invites the attention of the Government of India to the great handicap felt by the Sugar industry owing to the increasing difficulty experienced by sugar factories and refineries in the disposal of molasses produced by them.

This Federation suggests that the Government of India should give full encouragement and assistance to the Sugar industry for production of power alcohol, especially admixture of alcohol with petrol as a fuel for internal combustion engines. In particular, the Federation suggests that every measure should be adopted by Government in order to over-ride difficulties of a merely technical character (e.g., the existing denaturing rules) or relating to revenues (e.g., revenues derived by the Central Government from petrol or provincial Governments from country liquor).

The Federation recommends to Government that the import duty on rectified spirits, on molasses and on "rab" be increased to such an extent as would ensure adequate protection to subsidiary industries dependent on the Sugar industry in India from foreign competition."

I have pleasure in moving this resolution in regard to the necessity of conversion of molasses into power-alcohol for the continued development of the Sugar industry in India. As you are aware,

owing to the impetus given to the Sugar Industry by the protection granted to India by the Government last year, about thirty sugar factories have come into existence and many more will commence working during the season 1933-34. The industry has been assured of protection for a number of years and it is hoped that the industry has been assured of protection for a number of years and it is hoped that the industry will be able to stand on its own legs by that time. It is also a matter of pleasure to me to have to say that Indian Industrialists have made use of this opportunity and put up factories in such large numbers in order to make the country self-sufficient in regard to production of sugar. One obstacle to the growth of the industry that is being witnessed since past few months has been in regard to molasses. The production of molasses has naturally increased considerably since last year and it has not been possible to find any use for the same, particularly because the quantity has increased suddenly. The price of molasses has undergone a tremendous fall. The molasses which used to sell at about Re. 1/8 to Rs. 3/- a maund, can now be sold only at about -/2/- per maund. Nay, not even that, as some of my friends will bear me out, several factories would be willing to dispose of their molasses without charging any price for the same, if they found some agency to remove it. So grave, therefore, is the problem that is confronting the industry. It has been suggested that the import duty on molasses and on rectified spirits should be increased. This alone, however, cannot solve even the fringe of the problem. The import of molasses has been reduced considerably during the last three years. During the last year, the import was nearly 30,000 tons. The solution, therefore, can only lie in finding other uses for alcohol. Unless some method is found for the economic disposal of molasses, I am afraid the import traffic must be raised still further in order to enable the Sugar Industry to withstand foreign competition. This, you will remark, is hardly desirable, as it ought to be the desire of all to bring down the price of sugar as early as possible. The molasses produced by factories in the past was consumed in the Tobacco industry and in the manufacture of plain country spirits. The consumption of molasses in both these ways has fallen by about a quarter at the present time. Other outlets for molasses have therefore, to be thought of. These are :—

1. Methylated spirit.

2. Use of alcohol for power in partial substitution of petrol.

3. Use of molasses as cattle food.

4. For the production of yeast as a source of food.

At the present time about a million gallons methylated spirit is imported annually from Java. A small increase in the duty would, I believe, make it possible to shut out this import, and to substitute the same from within the country.

The scope for the use of molasses as cattle food is not very great due to the difficulty in marketing, combined with the traditional conservatism of the owners of most of the cattle in India, as they are used to free grazing with little or no expenditure on other food stuffs.

The use of molasses as a source of yeast is new to Indian ideas.

We now come to the use of power-alcohol. Power alcohol can be produced in India and mixed with petrol in the proportion of one part alcohol to three parts petrol. Several countries have in fact passed legislation making it imperative for petrol companies to use not less than 10 per cent. alcohol with petrol. France introduced legislation making the purchase of alcohol compulsory by the oil companies. Natal started with Natalite and admixture of alcohol in ether. In Germany, the Rieschstag passed a law in 1930 enacting that petrol importers must buy a certain percentage of alcohol. Czechoslovakia started with a mixture similar to Natalite and has now come to accept absolute alcohol. In Hungary, there is compulsory use of absolute alcohol with petrol. In Austria, a compulsory addition of 5 per cent. of alcohol to petrol is suggested. Italy has legislated for not less than 30 per cent. alcohol in all motor fuels. If power alcohol is thus produced in the country, it can substitute petrol to a certain extent and solve the grave problem besetting the industry. It is likely that power alcohol may be able to sell cheaper than petrol and that the Government would be a loser in so far as their revenue from this source is concerned owing to the decrease in the consumption of petrol on which an excise duty is levied. It is apprehended, therefore, that the Government may not be willing for this reason to encourage the production of a substitute of petrol, which will no longer bring to them the same revenue. This brings to the forefront an unfortunate clash of interests between the Government, who are in search of revenue, and the power pro-

ducers in search of a cheap and efficient fuel. The difficulties, however, are by no means insurmountable. The Government can realize revenue from many sources, but the power producers have no other alternative and in consideration of the fact that the success of the power producers means success to the country, their interest should not be ignored. Besides, if power alcohol can, owing to its cheapness, keep down the price of petrol, it would result in enormous economic saving to the country. We should also bear in mind that the Government will not lose in revenue because, if the industry will be successful, it will contribute to the Government revenue in a variety of ways, namely, as income tax and custom. Besides, it will give more employment which is badly needed today. Owing to the increased output of sugar in India, which also means the increased output of molasses, its development will suffer greatly unless some outlet for molasses is found. There is happily for us a great drop in the consumption of country spirits and therefore larger quantities of molasses will be available for production of power alcohol. Experiments should be carried on by Research Institutes, Government Experts, as well as the Industry to make use of power alcohol suited to the requirements of internal combustion engines.

I would strongly suggest that a pioneer distillery should be established and it should be subsidized by the Government as it is an important key industry. In that case it would also be possible to provide for training and instruction of a large number of Indians who can ultimately qualify for a suitable job in other distilleries which would be established at various places.

Another obstacle in regard to the use of power alcohol is the attitude of the Government towards improvements required for denaturing. The use of caoutchoucine prohibits the use of spirit mixed with petrol for internal combustion engines, but we believe that if other denaturants were allowed, a field for the use of alcohol could be found. In regard to the revenue aspect of the question from the point of view of the Government, we might only mention that the loss of revenue to the Government cannot be very material, since even if the whole factory-production of molasses in India, as in 1931, was converted to power, it would only represent 5 per cent. of the consumption of petrol. Much of the molasses produced is disposed of in this way in the Hawaiian Islands and the Phillipines. As observed by me before, the use of some proportion of alcohol mixed with petrol is obligatory in several European countries. More-

over, as pointed out above, the sugar industry will contribute to Government revenue, and therefore there may be no question of loss.

The figures of consumption of petrol in India during the last six years have been :—

Consumption of petrol in India.

Year.	Petrol (million gallons).
1926-27	36.3 ,, ,,
1927-28	48.6 ,, ,,
1928-29	61.2 ,, ,,
1929-30	79.0 ,, ,,
1930-31	79.4 ,, ,,
1931-32	73.0 ,, ,,

The production of molasses by cane factories and by refineries during the last three years is as follows :—

Year.	Cane factories. Tons.	Refineries. Tons.	Total. Tons.
1929-30	35,393	12,899	48,292
1930-31	48,187	20,458	68,645
1931-32	69,208	22,042	91,250

In addition to this, the Khandsaris also produce a fairly large quantity of molasses, but a market for this molasses is found in the vicinity of the places where it is produced. A certain quantity of the factory molasses is also absorbed in other ways, as for example, tobacco curing. The supply of power alcohol manufactured from factory production of molasses available for the same would not be of a magnitude which could affect, to a very great extent, the petroleum industry of India.

I urge with all the emphasis at my command that in the interest of the Sugar Industry which vitally affects the cultivators, the Government of India should give full encouragement and assistance for the production of power alcohol and its admixture with petrol as fuel for internal combustion engines. Unless this is done, the Sugar Industry will find itself in a mess and it will have very adverse effect on the condition of the ryots, which is none too good.

Gentlemen, I have done. I have one more suggestion to make to the Railway Board in this connection and that is to consider the possibility of a reduction in the rates of freight on molasses, in view of the very heavy fall in its price. If a large reduction is made, it will be to the interest of the Railways themselves, as it will then be possible to carry molasses over larger distances.

As a large portion of the sugar and molasses is carried by the waterways in addition to the railways, it would be a very great facility if the railways could be persuaded to issue through bills of lading for the transport of sugar and molasses from the factory stations to their destinations. This would be of great convenience to the sugar factories as also the merchants engaged in the transport of sugar.

I trust that the Railway Board will give immediate consideration to these matters.

Lala Shri Ram (Delhi Factory Owners Federation, Delhi) :

Mr. President and Gentlemen, the previous speaker Mr. Padampat Singhania has very ably and comprehensively dealt with this Resolution. I do not think much remains for me to say. Fortunately this is a Resolution on which both Europeans and Indians are unanimous. Almost in a similar strain a Resolution was moved in the Associated Chambers of Commerce in December last. Barring two member-bodies of the Associated Chambers, that is Burma and Bengal (Burma as you can understand is predominated by the Burma Shell) there was unanimity about this Resolution. On that occasion one of the representatives of the Upper India Chamber said that although molasses at the time of the Tariff Board report were taken to be worth at Rs. 2 a maund yet they were about to become a drag on the market. That position has already arrived in April, that is only three months after. They are not only a drag on the market but they are a real nuisance to those who have got sugar factories or sugar refineries. The problem today is not how to sell them or what price to realise but how to dispose them off and I know that many of us will be prepared to spend some money to get rid of this nuisance. Our friend, Mr. Singhania, has just told you that there are four or five different methods of the disposal of these molasses. The most important course is making power alcohol and mixing it with petrol, which he has very

thoroughly dealt with. I will not therefore waste your time in repeating the same arguments. I may however tell you that this resolution came up before the last meeting of the Indian Sugar Committee which met at Delhi under the presidency of Sir T. Vijayraghavachariar. There also a resolution was unanimously passed in which both European and Indian members agreed that the question was a very important and urgent one and that the President should take immediate steps to get into touch with the different Heads of the Departments of the Government of India and to do away with the red-tapism and that as soon as possible a model factory for making power alcohol should be established and a law should be got passed compelling oil companies to mix a certain percentage of power alcohol in petrol. They also asked the President to take steps to put a certain amount of money at the disposal of the Sugar Technologist at Cawnpore and to give him every assistance to try the other methods which are being successfully tried and worked in other countries—Hawaii, Fiji and other places, that is, using molasses as petrol, cattle food, manure and fuel. My friend, Mr. Singhania, has not mentioned that molasses could also be used as fuel. In Hawaii they are using molasses as fuel and getting 65 per cent. as much heat out of them as out of firewood. Gentlemen, individual factories are also trying to consume molasses to get rid of them by using them as fuel. I cannot tell you how far they have succeeded in their efforts but I know for a fact that one of the biggest sugar factory owners, that is, Messrs. Begg Sutherland and Co. and a small factory owner like myself are disposing them by burning them in boilers, we do not yet know at what risk to the boilers themselves. Coming to the question of power alcohol, I am glad to tell you that in the Sugar Committee, Mr. Morgan gave us to understand that the petrol companies in India had no serious objection to the mixing of power alcohol in petrol. If Mr. Morgan rightly expressed the views of the petrol companies, I do not see why the Government of India should find any very great difficulty in bringing the necessary legislation into operation and do something immediately about it. As regards its use either as fuel, cattle-food or manure, certainly it cannot be used entirely by the factories themselves for either of the above three purposes or even round about the factories to any very great extent. For that purpose it will be very necessary, as pointed out by Mr. Singhania, that the railways should give us very very low rates of freights indeed, perhaps lower than that for coal itself, and also should burn these on their own locomotives to

enable its better distribution for the good of the farmer, the factory owner and themselves. With these few words, I beg to second this Resolution. (Applause).

Mr. Santoshchand Baroria: Sir, the Association is taking steps to fix the price of sugarcane at four annas a maund. Now I want to ask, will that also improve the condition of the ryots? We know that the sugar-industry is one of the most paying industries in these days and, if run on good lines and with an administration not top heavy, the cultivators of sugarcane can easily get ten annas a maund.

President: The resolution refers to some very specific points. If in developing them a statement as regards some other industries was made, that is a quite different story. It refers to the disposal of molasses, then power alcohol, fuel and measures to override certain difficulties of a technical character. Later on it goes on to the increase of the duty on "rab".

The resolution was carried unanimously.

President: I move resolution No. 10 which runs as follows:

STATISTICS OF INVESTMENT OF FOREIGN CAPITAL.

"In view of the serious influences exerted upon the economic development and policy of the country by foreign capital, this Federation has to draw the attention of the Government to the absolute inadequacy of statistics of foreign captial invested in India, at present being published by them, and would strongly recommend the annual compilation of a comprehensive statement of the actual foreign capital invested in India including private investments."

Mr. A. D. Shroff: On a point of information, I should like to understand the object of this resolution, because I think it can be a two-edged weapon. If you will just tell me what exactly is the object of the resolution, I should be glad.

President: This came from the Bengal National Chamber and their representative laid particular stress on it and I would now request Mr. Sarker to explain.

Mr. Nalini Ranjan Sarker: Our point is that the statistics

available in the matter of foreign investments here are very inadequate as published in the Statistical Abstract. Recently you must have noticed there was a controversy about our external debt obligations. In an economic journal Sir Findlay Shirras has started some discussion about our total foreign investments and our annual obligations, but we cannot find the exact figures by which we can ascertain what are our actual foreign obligations year by year, and it is to get those figures that we have tabled this resolution.

Mr. A. D. Shroff: Allow me, Sir, to say one or two words, because this subject cannot be very easily disposed of. When you are laying particular emphasis on one branch of statistics relating to the economic problems of the country, I think there should be some specific purpose and object in demanding that such statistics should be compiled in a particular fashion. If the idea of the Bengal National Chamber of Commerce has been to disprove the claims of non-Indians that their stake in the country is so and so whereas we say that their stake in the country is so and so, I definitely suggest that by asking for a limited, narrow and specific inquiry of this character, you will be doing more harm to our cause than you can do good. On the contrary I think this resolution can well be made the basis for something wider in view particularly of the fact that the Government themselves have recently announced that they desire to make some effort to give us a better compilation of statistics all round. I hope you will get at the point I am hinting at.

President: Would it not meet the wishes of the House that we pass this Resolution today in view of the recent statement of the Government of India. In view now of the various other member-bodies taking interest in it, we could elaborate it next year taking into account all the considerations and develop it further. It is only one Chamber, the Bengal National Chamber, that suggested it. The sub-committee and the Executive Committee deleted it, but in view of the fact that the Bengal National Chamber was very keen on it; it was put on the Agenda and this was how it came. We have ample time, so next year a full and comprehensive resolution, with due notice to all the member-bodies to get their particular view points embodied in it, can be put down. Under these circumstances, I put the resolution to the vote.

The resolution was carried, with one dissentient.

Mr. A. L. Ojha (Indian Chamber of Commerce, Calcutta):

Mr. Chairman and Brother Delegates, I beg to move the following Resolution :

SURCHARGE ON COAL.

"In view of the fact that the levy of 15 per cent. surcharge on the Railway freight on coal despatched after 15th January 1932, has created a great detrimental effect on the coal industry and been responsible for the loss of markets in many important and industrial centres, this Federation urges upon the Railway Board the necessity for the immediate abolition of the surcharge with a view to help the industries of the country."

Sir, in moving this Resolution I would like to say a few words. I am sure that, if not all, most of the Delegates here might not have heard about the position of the coal industry and about the difficulties and the disabilities under which those who are engaged in the industry have been working. It is not because there are no difficulties ; it is not because there are no grievances ; it is not because they are in a way happy that nothing has been said, but it is because the industry is not properly organized, it is because there are no stalwarts as we find in the case of other industries like textiles and shipping and it is because those who are engaged in the industry are so weak that their feeble voice is not heard by the Government of the country or by their own countrymen. I think, Sir, it is essential that the industrialists of the country should take some interest in and know something about this key industry, as, if the industry is disorganized, or those who are engaged in the industry cannot carry on, it will be difficult for them to get coal so cheap as they have been getting it today. I also feel, Sir, that the other industries particularly protected ones should try their best to help those who are engaged in this industry and are struggling for existence. I wish I had the opportunity to present to you a picture of the present position of the coal industry and thereby make all the delegates acquainted with the full facts but it requires sufficient time to do this and I am afraid it is not at my disposal. Apart from other ordinary taxes, you are perhaps not aware, the coal industry has got to pay some special taxes like road cess, mines board and chaukidari taxes, etc., and it was very difficult for them to carry on. At such a moment this surcharge was levied and as other industries are not in a position to pay a higher freight on coal, this freight fell mostly on the collieries

in this way that they had to reduce their price to sell their coal. It is rather strange that in these days of depression when all industries are in need of help and protection the Government of India decided to levy this charge. It is not detrimental to the interests of the coal industry only but it is detrimental to the interests of other industries too. Those who get protection have also got to bear this surcharge if not fully, partly, and so to a certain extent the protection given is nullified. Coal being a key industry I think every endeavour should be made to make it as cheap as possible. When it is not cheap, what happens is this. Those who cannot afford to pay the price plus coal-freight try to find out some other substitutes.. We all know that Bombay imported a lot of foreign coal ; we all know that even today Bombay mills are using foreign oil, and in the case of other markets we find that wherever it is possible, factories and brick-field owners and others are trying to substitute oil and other fuel. What surprises me more is this. Why only the coal industry was singled out and penalised in this way. I think I must tell you that Government had been pleased to invite the representatives of the coal industry to meet them when they proposed this surcharge. Of course, they had practically decided beforehand to levy this surcharge, and so when these representatives met them, reasoned with them and strongly protested against this imposition, they were told that somehow or other money had to be raised and so Government had to impose this surcharge. They were also told that it was not only coal which they had singled out as they were going to tax other commodities too. I am glad, of course, that Government have not taxed other commodities. Government have not thought fit to withdraw the surcharge even after a year which we all expected, and we all expected it because as far as our information goes Government have not been able to get more money due to this surcharge. There is another point, Sir. We find that the surcharge is not levied at a flat rate. The surcharge is 15 per cent on freight rate. It means that those who are at a great distance have to pay more. For example, take the Ahmedabad market which is a very important market to us. Their freight being about Rs. 13 or 14 they have got to pay surcharge on that rate of freight, while those nearer the coal-fields have got to pay less. I think this is not at all fair to the industries of the country. When during the war Government were in need of money they imposed a surcharge but at that time they imposed a flat rate of 4 annas a ton whereas in this case, they did not do so.

One word more and it is this. Though the Railways say they are in need of money and that is why they have imposed this surcharge we find now-a-days, and I am sure all delegates must have seen it in the press, that the East Indian Railway and the Bengal Nagpur Railway who are directly interested in this affair have been advertising in the press to give facilities to carry gunny from Calcutta to stations in western India and to bring cotton from western India stations to Calcutta and eastern India, by reducing freight rates. I do not grudge others getting facilities. What I should like to point out is this that if the Railways are in a position to give facilities to others, if they are in a position to reduce their charges in the case of others, they ought to consider also the case of the coal industry.

The Indian Colliery Owners' Association, recently brought into existence, is also giving this matter its close consideration and hopes to address well reasoned memorandum to the Government of India urging the immediate abolition of this surcharge.

With these words, I propose this Resolution for your acceptance.

Seth Nandlal Haridas (Ahmedabad Millowners' Association): Mr. President and brother delegates, I have the pleasure to second the Resolution just proposed by my friend Mr. Ojha. The surcharge on the freight of coal is uncalled for at the present juncture when the textile industry and the whole country is passing through a crisis. How the textile centres are affected by this surcharge I shall show you in brief. Only the Ahmedabad centre is paying every year Rs. 4,50,000 by way of surcharge. And you can imagine what the other centres are paying. And this Rs. 4,50,000 is really speaking a considerable part and parcel of the profits earned by the Ahmedabad mills. So, gentlemen, you can see that there is no justification in laying down this surcharge at this juncture. Government's policy is simply unjustifiable in discriminating between different textile centres and hence I hope you will agree to give me your full support in asking Government to do away with the surcharge.

Mr. R. K. Sidhwa: Sir, I rise on a point of information. Year before last the Bengal coal owners had sent a representation to this Federation that the Ahmedabad mill-owners were not purchasing the Bengal coal on the ground that the quality was inferior to the coal they imported from other foreign countries. Will you kindly inform the House how the matter stands at present?

Seth Kasturbhai Lalbhai: Sir, I submit that it is very wrong to speak in this House without the fullest knowledge of the facts. The Ahmedabad textile industry as such has never in its whole history purchased a single ton of foreign coal. And I hope that Mr. Sidhwa and the body that he is representing here will withdraw the uncalled for charges in unnecessarily and wrongly blaming the textile industry which is doing its very best to support national industries of India as such. My friends here who represent the indurance companies will bear me out when I say that if one centre is doing its very utmost it is Ahmedabad which is passing on its 100 per cent insurance to the Indian insurance companies. And similarly there are many other small industries which are fully being supported by the Ahmedabad textile industry. Sir, I beg to request you to ask Mr. Sidhwa to withdraw his entirely unfounded charges.

Mr. R. K. Sidhwa: Sir, I have been quite misunderstood by my friend there. Correspondence has passed between the Bengal owners and the Federation and copies of the correspondence were sent to the various mercantile bodies and the Indian Merchants Chamber whom I represent here also got copies. Several letters were sent to the Federation and the Federation had also sent letters to the mill-owners at Ahmedabad explaining the position and asking why they refused to purchase coal from the Indian colliers and their explanation was also sent to us. I cannot understand my friend's getting up and saying that this is all false. It is only the correct and authentic information that I am placing before the House. I think my friend there did not understand me correctly or he likes to hoodwink the House by making the sort of statement that he has done. I have absolutely no intention of challenging the patriotic feeling of the Ahmedabad mill-owners. I do not for a moment suggest that. Certainly they have been patronising Indian industries. I only wanted to be enlightened on that issue as to how that matter stands and I made no insinuation whatever. I have seen the correspondence that passed between the Bengal coal-owners and this Federation and the mill-owners of Ahmedabad and I know they replied to the effect that their quality was inferior. I want to know whether they wish to state that they did not make that statement. I wanted to have information only and I am sorry my friend there has taken a wrong view of my point.

Mr. A. L. Ojha: Sir, may I with your permission put in a word to explain the position? The position was this. The Indian

colliery owners, or in other words, the collieries owned and managed by Indians made a representation to the Federation requesting the Federation to ask all other bodies,—of course they also directly approached those bodies,—to use their coal instead of coal that they purchased from collieries owned and managed by Europeans in this country.

Mr. R. K. Sidhwa: That requires to be explained.

President: The fact remains that the latest position is, as we have got it from such an authoritative source as Mr. Kasturbhai Lalbhai that the Ahmedabad mill-owners are using 100 per cent. Indian coal.

A delegate: Not from Indian owned collieries.

President: However, we have got the reply. I will therefore put the Resolution No. 11 to vote.

Carried unanimously.

Mr. V. K. Chetty (Southern India Chamber of Commerce, Madras): Sir, the resolution that I have to move is this:

INDUSTRIES.

"The Federation urges upon the Government of India the desirability of adopting immediate measures indicated below to afford adequite protection to the various industries referred to therein:—

(a) That the export duty on raw skins and hides be raised to 25% and 20% respectively.

(b) That a duty of Rs. 50/- per ton or 50 per cent ad valorem whichever is higher should be levied on the imports of the Cast Iron Pipes and further that the Tariff Value of Rs. 140/- a ton may at least be substituted for the ad valorem valuation now being adopted in the Indian Customs Tariff so as to secure immediate relief to the Indian Cast Iron Pipe industry."

In moving this resolution I have to say a few words.

From the point of view of the value of exports and the number of persons employed the tanning industry is the premier industry of South India. On a fair estimate there are not less than 300 tanneries scattered all over the Presidency each employing on the average about 100 persons. There are besides a number of subsidiary enterprises in which a lot of capital as well as thousands of persons are employed, such as collection and salting of skins and hides, transport from villages to towns and tanneries, collection of transport of avaram bark, myrabolams and other tanning materials and so on. In the result, I may fairly estimate that about a lakh of persons are throughout the year employed in this widespread industry not in any particular place but scattered over numerous villages and towns so that this industry while increasing the industrial production of the country and giving employment to such a large number of persons is not beset with any of the evils of industrialism such as concentration in towns, industrial unrest, high cost of living, necessity for welfare work, housing, etc.

The peculiarity of this industry is that its chief danger does not lie in the imports of foreign leather but in the competition of foreigners in a Home market for the raw materials of the industry. Consequently this industry cannot be protected by any additional import duty on leather. Moreover the import of leather is only a a fraction of India's export of leather. The tanning industry can therefore only be protected by means of a bounty on exports of tanned goods or by a duty on the export of raw goods. As the bounty from the Revenues of the Government cannot be thought of under present conditions the only effective method of protecting this industry is by increasing the present export duty of 5% on raw hides and skins.

The bulk of Indian exports of tanned goods have some special qualities which make them an indispensable factor in the world markets. I may therefore assert without fear of contradiction that when the countries of the world find that they cannot get Indian raw hides and skins as cheaply as before to feed their tanneries in consequence of any additional export duty they should be expected to commence buying our tanned goods. Alternatively they may continue to patronise our raw goods market but in that case their cost of production is bound to be increased by the extent of the extra export duty and our tanned goods will then have a better

reception in the foreign markets where the products of the European tanneries also compete. Though the United States of America put up her tariff wall against our tanned goods and has ceased to buy them either in the Indian markets or in London, still it continues the most important single buyer of our raw goat skins, and Germany of our cow hides. My suggestion is that an increase in the export duty is bound to help the Indian tanning industry in either of the two ways I suggested before, that is, by the foreigners buying our tanned goods in place of the raw goods, or by raising the cost of production of our competitors in the foreign markets.

From 1919 up to 1923 the general export duty was 15% and during this period the tanning industry enjoyed a spell of prosperity but since then many tanneries have closed and thousands of persons have been thrown out of employment. One apprehension which the Government seem to have in increasing the export duty is that the price of raw goods will be unduly depressed. One reason why I consider that this will not happen is that the peculiar qualities of Indian hides and skins can still command a good market in the world at an increased price, so that the present foreign buyers of Indian raw goods will still continue to compete in the Indian market along with Indian tanners so that the demand will continue as effective as now. Another reason is that as the production of skins and hides is only complementary there can be no increase or decrease by virtue of an increase or decrease of demand. As the supply is therefore limited the prospect of the fall in price is remote. The third reason is that when a complementary product falls in price the primary product will go correspondingly higher in price so that in the result the owners of cattle and goat and sheep are not likely to suffer by any fall in price that may happen to raw skins and hides.

Lastly, I want to urge that the Government of India by helping the Indian tanning industry will by the same stroke help the London market also because the chief buyers of Indian raw goods who are likely to suffer by an increased export duty are America, Germany and Italy, while the bulk of Indian tanned goods are marketed in London bringing employment and income to thousands of brokers, warehousemen, etc.

As regards pig iron, there are many incongruities in the Indian Tariff Schedule in virtue of which the import duty is lower on the manufactured product and higher on the raw material. One such

is the case of the cast iron pipe which comes into the country after paying a duty at present prices of about Rs. 10 per ton, while pig iron has to pay over Rs. 11 per ton. On top of it is the inroad of Japanese imports which threaten to swamp the Indian market. The Anti-Dumping Bill has been passed ; among the earliest operations of it should be an extra duty on the imports of cast iron pipes. I therefore commend this resolution to the house for their unanimous acceptance.

Mr. K. Shama Iyer (Mysore Chamber of Commerce, Bangalore) : Sir, I heartily second the resolution. A great deal of capital has been sunk in the skins and hides trade and industry and during the war the Government of India made much use of it for supplying saddlery, boots and shoes to the army, in gratitude for which they increased the export duty to 15 per cent. But when the sense of gratitude waned in three or four years time they straightaway reduced the export duty to 5 per cent in consequence of which much distress is felt all over South India.

As regards Indian Cast iron pipes the position is this : there are two big manufacturing concerns in India which between them can cover the entire demand for the pipes and have been doing it. They are the Bengal Iron Co., Kulti, which has a capacity of 60,000 tons and the Mysore Iron Works, Bhadravati, which has a capacity of 15,000 tons. During the last two years the general depression has very seriously curtailed the demand. On top of it foreign pipes, particularly of Japan, have begun to be dumped. The rapid reduction in price in the Indian market of Japanese cast iron pipes within twelve months from about Rs. 110 to Rs. 70 per ton points to the fact that the industry is getting substantial assistance from the Government of Japan, besides favourable freight and exchange concessions. I am informed that the Japanese Government subsidise exports. Whatever it be, there is the fact that Indian production is very seriously jeopardised. Now that the Legislative Assembly has passed the Anti-dumping Bill, it would be most convenient for the Government to take immediate steps under the Act and remove the Damocles Sword that is hanging over the two Works on which a huge amount of capital has been sunk without adequate return so far. Another anomaly in this problem is that pig iron which is the raw material for cast iron pipes is subjected to a heavier duty than the manufactured product as prices stand at present. Pig iron being assessed on a tariff value of Rs. 78 per ton, the duty on cast iron

pipes on an ad valorem basis happens to be assessed on a value of about Rs. 67. It is a sample of the anomalies which are characteristic of the Indian tariffs but I submit that the country has to pay a heavy penalty for it and it cannot be tolerated any longer. I commend this resolution to the unanimous acceptance of the House.

The resolution was adopted unanimously.

*Mr. M. L. Dahanukar (Maharashtra Chamber of Commerce, Bombay) :

Mr. President and brother delegates, the resolution which has been entrusted to me reads thus :

RAIL-ROAD CONFERENCE.

"The Federation notes with regret that no representatives from the Indian commercial community have yet been invited to the Rail-Road Conference to be held in Simla this month. It understands that non-official representatives connected with vested interests in the development of bus traffic are invited and is emphatically of the opinion that in order to safeguard the interests of the commercial community, representatives of Indian commercial opinion should be asked to attend the said Conference."

Here it may be recalled that the Government of India appointed certain officials to carry out an inquiry regarding the competition of railways and bus traffic in this country. These officials went round from place to place and ascertained both official and non-official opinion on this question. Now, as I understand, the Conference which is to be held in Simla on the 24th instant is going to consider this very vital question of finding out a way for meeting competition by which the railway has incurred losses and suffered. As we are now asking for representation to be given to us, I am not going to make any remarks as to the merits of this question. But I should confine myself to the point why representation to the commercial community is necessary at this conference. While the commercial opinion was invited to be ascertained by the officers who were conducting an inquiry, they were assured that the representatives of

* Speech not corrected.

the commercial community will also be invited to the conference which was then proposed. Friends, we find that the Government have invited non-official representatives: as I understand it is not only restricted to the officials or those who are connected with the railways and roads, but it is certainly also representative of the non-officials, and certain Europeans in the name of non-officials, have been invited to attend the conference and they are connected with the petrol, tyre and tube industry and cement roads etc. I certainly think that this is a question of very vital importance to the commercial community where the Indian public have invested as much as 800 crores of rupees in the railways of India. Further about 8 lakhs of our people are employed in the railways of this country. Besides, there are many complicated questions which are connected with this aspect of the resolution. I think that if we want to find out some via media, it is necessary that the Government should invite the commercial opinion to be placed at such a conference. We are interested also in the reduction of rates for goods traffic and several other kinds of traffic which affect the movement of goods: the prices of agricultural produce have gone down so low that reduction of freights is absolutely necessary to help this kind of traffic. This will not be done unless some via media is found out between the road and rail competition problem. I therefore think that this question has all these bearings; and while seeing that we do not put any undue burden or that our interests in the railways are not adversely affected, at the same time we want to see that the bus enterprise is not also eliminated out of the field altogether: we have invested a lot of money in that enterprise and it also gives cheap transportation facilities to the public as a whole. Further we as business men are certainly interested in seeing that all our investments in the railways will also pay. For all these purposes and for placing all our view-points before this conference it is necessary that we should get adequate representation and we should be able to say all that we want to say at such a conference. I shall not go further into the merits of the question, but shall confine myself to these remarks. I commend this proposition to the acceptance of the House.

Mr. P. S. Sodhbans (Indian Chamber of Commerce, Lahore): Sir, this rail road conference is the outcome of the Bill which has been moved in the Assembly for permitting Railway companies to run buses. This Bill was opposed by the

Committee of the Indian Chamber of Commerce, Lahore, which I have the honour to represent. After the war the roads were developed with a view to bring the interior nearer to the cities and in order to develop the trade. As far as the Punjab is concerned, the roads are considered to be the best in India, because most of the roads there are coaltarred, and with the development of the bus traffic, we find that travelling by bus has increased enormously ; it has become so common that ordinary traffic between Lahore and Amritsar and different places is now carried by motor buses. Now the railways are going to enter the field. Inspite of the increase in the traffic by bus or lorries we find that the railways are not endeavouring to reduce their fares but on the other hand they are increasing the same. This policy is bringing them to grief. But the poor people cannot afford to pay high fares on account of the depression, and they prefer to travel by motor buses. Now, on account of this, the Government has come to the rescue of the railway companies by allowing them to run buses. At present, as every one knows here, the railways are running at a loss on account of their mismanagement and also on account of their heavy overhead charges. The railways are working at a loss more on account of the high scale of salaries they are paying to the officers than on account of the depression. If there is depression felt all round, have the railway companies made any endeavour to reduce their expenditure which any business concern would do? No, they have never cared to reduce their expenditure and to balance the budget. Now, they want to run buses and the cost of manufacturing new buses will be met from the Indian exchequer. We want a representative to present our case and find out from where they are going to meet such a heavy cost for the manufacture or purchase of the buses. Moreover, in these days when the railway themselves are unable to cope with their own traffic on account of the heavy cost, I do not know how much additional cost they will have to incur for the maintenance of these buses. Of course, these buses will require conductors, officers and other paraphernalia for running them. All these questions will be taken up in the conference, and therefore it is absolutely necessary that the Indian view point should be placed before the conference, and it is very essential that there should be a representative of Federation at the Simla conference to represent the Indian Commercial view point and to discuss all vital points. I therefore heartily second the resolution which has been so ably moved by Mr. Dahanukar.

The resolution was carried unanimously.

President: Gentlemen, I now revert to Resolution No. 2 regarding the release of Mahatma Gandhi. The only amendment if I may say so that has been made in the wording of the Resolution is that instead of the words 'for the dual policy' the words "repressive policy" have been substituted. The Resolution will now read thus :—

RELEASE OF GANDHIJI.

"The Federation of Indian Chambers of Commerce and Industry places on record that in its opinion the repressive policy of the Government has failed and that in the interest of peace, goodwill and prosperity, it is essential that Mahatma Gandhi and other political prisoners should be released forthwith."

The Resolution was carried unanimously.

President: Lala Sri Ram has been kind enough, as usual, to ask you all gentlemen to have lunch with him just outside this hall. He sent round a circular letter yesterday and had received your written undertaking accepting his invitation to have lunch with him now. We will therefore now adjourn for lunch and meet again at 2-30 P.M.

The Conference then adjourned for lunch to re-assemble at 2-30 P.M.

AFTERNOON PROCEEDINGS.

SUNDAY, 16TH APRIL, 1933.

The Annual Session reassembled at 2-30 P.M. after lunch, the President, Mr. Walchand Hirachand presiding.

President: I now call upon Mr. Nalini Ranjan Sarker to move the Resolution on the White Paper.

WHITE PAPER.

"(1) The Federation having carefully scrutinised the proposals for Indian constitutional reforms as embodied in the White Paper is of opinion that the same are not only in direct breach of the solemn promises of conferring a constitution on India on the lines of the Dominions made on behalf of His Majesty's Government by the British Ministers from time to time but are definitely reactionary and retrograde and fall far short of even the modest aspirations of the country and make the conferment of Dominion Status recede into a remote future.

(2) The Federation is convinced that the Constitution as outlined in the White Paper suffers from serious structural defects calculated to bring about frequent breakdowns or deadlocks and that unless several of the proposals are materially altered, the smooth working of the Reforms will be impracticable. The Federation is apprehensive that the scheme, unless modified, will result in creating such forces in the country as would not only undermine the economic and political life of India but also recoil to the detriment of Great Britain.

(3) For these reasons the proposed constitution is unacceptable to the country. The Federation, therefore, appeals to His Majesty's Government to desist from any attempt to impose it on India in its present form and to explore, without any further delay, the possibilities of altering the same so as to command the consent and co-operation of the people of this country."

Mr. Nalini Ranjan Sarker (Bengal National Chamber of Commerce, Calcutta):

Mr. Chairman and Brother Delegates: I formally move the Resolution on the White Paper, which has already been circulated to you. The White Paper proposals have by now been before the country for about a month and you all know how these have been subjected to a most strenuous criticism by all sections of the Indian public and almost universally condemned. I would not take much of your time by undertaking an examination of their implications in detail and shall refer only to some broad and important issues. The proposals, as you will see, bear an unmistakable proof of what has been regarded to be "an unbridgable chasm between two conflicting loyalties, the loyalty of India to her idea of self-Government and the loyalty of the British administration to its conception of Trust." The country has been agitating and persistently putting forward its claims to political advance with a view to acquire a greater degree of control for the nationals over her own Government. The significance of the claim as well as the manner in which it could be satisfied were quite well known to the British Committees and Commissioners professedly been appointed in the past to devise means by which the desired transfer of control was to be effected. The same object alone could have justified the Round Table Conference. Yet, what do we find to be the position to-day?

A section of India has been wanting independence, even the most moderate of moderates asked for nothing less than Dominion Status, subject to minimum safeguards enforceable in a transition period of limited duration.

The emphasis was on Dominion Status and safeguards came in the picture only as a transitory, trivial, temporary item.

At the end of First R. T. C. the Prime Minister made the following declaration:—

"The view of His Majesty's Government is that responsibility for the Government of India should be placed upon Legislatures, Central and Provincial, with such provisions as may be necessary to guarantee during a period of transition, the observance of certain obligations and to meet other special circumstances, and also with such guarantees as are required by the Minorities to protect their political liberties and rights.

In such statutory safeguards as may be made for meeting the needs of the transitional period, it will be a primary concern of His Majesty's Government to see that the reserved powers are so framed and exercised as not to prejudice the advance of India through the new constitution to full responsibility for her Government."

It is to be noted that the policy stated above was reaffirmed by the Prime Minister, even after the Conservatives came in power, at the close of the Second Round Table Conference and that it was endorsed by the Parliament in December 1931 after a historic debate in both houses. Even after his appointment as Minister of Education Lord Irwin once again affirmed his adherence to the pursuit of "a policy designed to confer on the Federation of India responsibility for the management of its own affairs, subject during the period of transition to such safeguards as were found essential to the interests of India herself". The White Paper also starts with a reiteration of this policy but with a most significant alteration that the safe-guards were framed not in the interest of India alone as was previously conceived and stressed by Lord Irwin, but "in the common interests of India and the United Kingdom". And what is more, the proposals comprised therein do not convey any assurance regarding the transitory character of the safeguards, and thereby preclude the possibility of India's attaining to the status of a self-governing Dominion through automatic disappearance of reservations and safeguards within a reasonable period of time. Far from conferring independence on India even the phrase "Dominion Status" does not occur anywhere in the White Paper. On studying the safeguards provided I am convinced and cannot resist the conclusion that they are not transitional and may indeed be of such a fundamental and permanent character as to justify the avoidance of the mention of the goal of Dominion Status. Here, there, everywhere, in page after page, para after para, it is all safeguards, reservations, restrictions, qualifications, limitations etc. etc. I wonder how such a scheme saddled with so many restrictions would work at all. What are you to think of a Railway engine constructed for the negotiating of western Ghats, if it is to have but 100 horse power, while 100 different styles of effective brakes are provided? Will the train ever reach the destination? No, it won't even start. The White Paper constitution—made of all brakes and no power—will not take us to the destination of Dominion Status.

It is not difficult to foresee that the scheme of Government envisaged by the White Paper will not remove the instability of political conditions in India,—far less would it satisfy the people of the country. Indeed, they contain the germs of deadlocks and breakdown as not only being based on intolerable safeguards but also on some other principles which are calculated to beget distrust

and conflict. The renewed lease given to communal representation, the excess of weightage given to the representation of Indian States in the Legislative Organs at the Centre threaten real dangers of discord which will undoubtedly militate against the efficiency of the scheme of ministerial government. In any case the extreme limitation of powers and resources allotted to the Ministers will always remain a most potent factor to drive the scheme to a complete failure. This point is of vital concern to the country and I would refer to some of its implications.

As I have said, the financial proposals in the White Paper impose serious restrictions upon the future responsible Finance Minister and the Legislature and constitute severe and effective curtailment of their powers. The Governor-General has been invested with full and complete powers for the administration of what are called "the Reserved Departments" on his sole responsibility. Evidently these powers imply that the Governor-General will exercise them in responsibility to His Majesty's Government and the Parliament and will decide what sums of money the military department should have, and the Finance Minister's duty would merely consist in finding them and the Legislature will not even be required to vote on them. Besides, there are subjects which are considered to be matters of the Governor General's "Special Responsibility" and the financial proposals made in regard to their discharge are not subject to the vote of the Legislature. There are again proposals for the appropriation of revenues relating to certain other heads of expenditure which will not be submitted to the vote of either chamber of the Legislature, but will merely be open to discussion. Not even these exhaust the list of powers that are proposed to be taken out of the control of the Indian Legislature, for it is also provided that if the appropriations made by the Ministers appear insufficient to the Governor-General to discharge his special responsibilities, he can append "additional proposals for appropriation" to the Budget, and whether they relate to voteable or non-voteable heads of expenditure, the Legislature will not be required to vote upon them. And, as if these extraordinary powers are insufficient to maintain the practical supremacy of the Governor-General in matters financial, it has been further proposed that at the time when the appropriations are finally submitted to him for authentication after the legislature has voted, he can, if he thinks it necessary, for the discharge of the special responsibilities, restore

any cut it may have made even in the votable grants. I wonder if any more serious inroads of the Governor-General could be devised to render the powers of the representatives of the people completely ineffective. Indeed the proposals are so drastic and thorough going that as far as the nation's Budget of Expenditure and the tax proposals are concerned, the Minister, who is described as "responsible" is reduced to a mere financial shadow. His will be in a most unenviable position in a scheme of Government in which the Finance Minister will hold his portfolio in responsibility to the Legislature but will have no opportunity to command the support of his colleagues whose political pledges to their respective constituents he would not be able to satisfy, on account of the extreme limitations of his financial resources.

I would now invite your attention to some proposals relating to certain specific subjects.

It is proposed as a condition precedent to the transfer of financial control to a Federal Minister, that a Reserve Bank, free from political influence of legislature must be set up by Indian legislation and shall be in successful working order. The nature of the proposed bank its constitution and functions are not mentioned in the White Paper and are still matters of speculation. The question of the establishment of the Bank has been invested with a new significance which is markedly different from the original conception of the Bank at the first R. T. C. New implications have been discovered since the question was discussed and settled by the first Federal Structure Committee which endorsed the proposals subject only to the condition that it should be started initially with sufficient gold and sterling reserves. But the form in which the proposals have finally emerged out of the third Round Table Conference and has been embodied in the White Paper reveals that it has been hedged in by so many conditions as may easily rouse serious misgivings. The statement in the White Paper that the Bank shall be immune from all 'political influence' sounds ominous as the policy designed to carry it into actual practice may have the effect of virtually keeping the Bank out of 'national influence' as well. However, in view of the uncertainty which has been introduced by the conditions imposed on its establishment, the proposal in the present form as making the Bank a pre-requisite of the inauguration of the Federation must be deemed completely unacceptable and we must also make it clear that no scheme will be acceptable to India unless it contemplates

the constitution of the Bank in such a manner as to suit the currency requirements of the country.

Regarding the establishment of the Statutory Railway Board, I would not say much as you have already adopted a resolution on the subject and its various aspects and implications have been so ably put forward by Mr. Mehta yesterday. I would only refer to the fact that the idea of settling up the Board under a Parliamentary Act can be no other than taking the administration of Railways out of the control of the Indian Authority. The proposal of His Majesty's Government in this regard is too much in tune with the demands made by Western Governments for extra-territorial rights over national railways in Eastern countries to support the presumption.

As regards services there is one significant implication of the proposals which must not escape our notice. It would have been at least well understood if the proposals for protecting the interests of the services by reserving the control to the Secretary of State was designed for the benefit of existing incumbents alone. But it assumes an altogether different meaning if for this reason the Secretary of State reserved to himself the right to dictate the number of men he will send out to India and to specify the posts he would reserve for them. This is, what has been called, a protection with vengeance. Why this fetish of a protection when it is not uncommon to find foreigners excepting holders of services in India without any statutory protection.

Although the vexed question of commercial discrimination has been discussed by either side with considerable animation, you will allow me to make a brief reference to it.

I believe that every nation has the right to discriminate in the furtherance of its own interests, subject, of course, to treaty rights openly negotiated and freely and willingly acknowledged. This right is inherent in nationhood. Its very necessity for the sake of the nation's safety and continued free existence is its greatest justification. Our meaning has been illustrated on so many occasions, that it is not necessary to repeat it here. Although India must have this right, we also realise that in view of the long-standing economic relation between India and England and extensive British interests in this country, its interpretation and application would require great

care and consideration. We have made our intentions so clear on so many occasions, that there cannot be any possibility of misunderstanding them. We have never expressed any desire to expropriate or confiscate the rights or properties of foreigners ; but we feel that like all countries whose advancement has not been commensurate with either their economic resources or their industrial possibilities, the right to take every possible step necessary for economic development is our only effective guarantee of progress. Subject to this unquestionable right, we may assure Britain that she will have no cause to apprehend interference with her just interests.

At the same time I realise only too strongly that under the unfortunate circumstances under which we find ourselves today and in view of the strong and, not infrequently, unreasonable and uncompromising feelings that are being roused in England, the disposition to understand and appreciate the Indian point of view is today sadly absent. This is nowhere more clearly evident than in Proposals 122 to 124 of the White Paper. The principle enunciated in these appears to be so fundamentally different from the position taken by the First Conference that it has made the practical approach to a solution of the problem more distant than ever. The claim of British interests in India, for instance, that bounties and subsidies voted out of the Indian tax-payers' money should be available to all foreign firms and individuals engaged in a particular trade or industry at the time of the enactment authorising the bounties or subsidies has never struck me as either reasonable or fair. If such a claim were allowed what chances can there be for the development of India's resources with Indian capital and enterprise?

In this connection it is also noteworthy that the general attitude of the British people towards commercial discrimination appears to have stiffened since the First Conference. Whereas "the principle of equality of treatment" was emphasised then, the Third Conference decided that "the guiding principle should be one of reciprocity". The term "reciprocity" has an appearance of fairness, but the real test of "reciprocity" is not the mere mutual granting of it between two countries but the amount and extent of the advantages that each one of them is in a position to derive from it. It is clear that England will get a lot and India practically nothing under existing conditions. Reciprocity without equality of advantages derived from it is highly deceptive. Neither is the definition of

reciprocity, "that no British subject domiciled in the United Kingdom and no company registered in the United Kingdom should be subject to any disabilities to which British subjects domiciled in India or companies registered in India are not subject in the United Kingdom", quite acceptable to Indian commercial opinion. In these matters the working of the principle under existing circumstances and the relative strength of the contracting parties are very often of greater consequence than the enunciation of the principle itself. If "reciprocity" as the basis of safeguard is to be accepted in the interest of India it must be defined as follows ; that British subjects domiciled in India or companies registered in India may be subject in the United Kingdom to any disabilities that British subjects domiciled in the United Kingdom or companies registered in the United Kingdom may be subject to in India. Any other formula as the basis of reciprocity would be but high-sounding terms signifying nothing.

Even if the theoretical justification of safeguards were admissible when they are wrenched from a weaker nation in violation of its supreme rights they run the danger of becoming valueless and defeating their very purpose. To be permanent and effective they must be freely acknowledged by both sides. Paper "safeguards" lead only to trouble, and those that are forced upon an unwilling nation will never endure. If Britain will only look round the world she will realise of what little use paper "safeguards" are against the united voice of even weak but determined nations, when such "safeguards" have been poisoned at the source and have worked to the detriment of a country's well-being and progress.

I hope I have said enough to show how the White Paper proposals are calculated to impose dangerous shackles on the feet of India. But I wonder how these could have been framed by His Majesty's Government even if they were guided by their own interest. I confess that I cannot understand how it can be to the interest of Britain and especially of British trade that His Majesty's Government should do all that is possible to make India politically discontented and economically impotent. Would not rather a liberal and friendly response to the political aspirations of her people create a peaceful and economically prosperous India, such as would have been of great advantage to Britain herself, as her importance and status in international trade and finance are largely dependent on

her relation with India? The truth of this very significant fact appears to me to be of such axiomatic character as not to call for any detailed exposition.

To me it has been a matter of surprise that the Britishers, generally so shrewd and calculating, where their own pocket is affected, have not yet learnt to recognise that this attitude of enlightened self-interest demands the satisfaction without delay or hesitation of the nationwide aspiration in India, for that constitution which will make India great, growing in politics and economics.

The Mont-ford Reforms contemplated progress at the end of ten years. At the end of fifteen years, the hand of the clock is actually being put back. At the time of the Mont-ford Reforms, the intention was that the next instalment would be the final and conclusive instalment of full and complete self-government. And as we rise from a perusal of the White Paper, we cannot avoid the thought that this is a complete instalment of full and effective safeguards.

On the pretext of enquiry and consultation, in the name of manifold Committees and Commissions and Conferences, all that has been done is that the little that India had, has been taken away, and to the much which Britain enjoyed in India, more has been added.

With these words, I place this Resolution before you for your acceptance. (Loud applause).

Mr. Ebrahim G. Currimbhoy (Indian Merchants' Chamber, Bombay) : I beg to second the proposition moved by Mr. Sarker. Mr. President has really sprung on me a suprise in asking me to second this resolution, for which I was myself quite unprepared. Sir, the constitution as embodied in the White Paper is hedged round by so many safeguards that it really shows a lack of confidence in us, and it is very doubtful whether the new constitution will be an advance on the present one. A great deal will depend upon how the powers vested in the Governor-General and the Governors would be exercised. Then the picture is also now far from complete. We do not know yet on what terms the Princes would come into the Federation and how the difficulties in connection with the establishment of the Reserve Bank will be got over. There are other unacceptable features in the White Paper which have been dilated upon by Mr. Sarker and I need not go over them again. One thing I should

like to mention and that is that at the present stage we will be doing very useful work in sending out a small delegation of the Federation to appear before the Joint Select Committee as witnesses. My friend, Mr. Setalvad, this morning promised to second any resolution that I would move on those lines. I do not know whether you would allow me to move any such amendment and whether it would be in order?

President: Mr. V. K. Chetty, Southern India Chamber.

A Delegate: Mr. President, before the speaker begins his speech, may I suggest that written speeches be taken as read?

Mr. K. Santanam: Mr. President, it would, I suggest, be a saving of the time of the House if after the resolution has been moved and seconded any proposed amendments are allowed to be moved so that all the subsequent speakers might be able to speak on them, and that is the usual procedure.

President: So far no amendments have been sent in. If you are suggesting one, will you kindly let me have it? In the meantime, will Mr. Chetty proceed?

Mr. A. D. Shroff: On a point of procedure, I just want to ask, whether it is not the accepted practice of all bodies of this character that an amendment to a proposition can be moved at any stage of the discussion. I fail to understand why you refuse to give a ruling on this question though it has been raised today for the fourth time during the past two days. It is an accepted principle of all deliberative bodies that an amendment can be moved at any stage of the discussion. I want a definite ruling whether you are going to bar the adoption of this practice.

President: Amendments will of course be accepted but I desire Mr. Santanam first to hand me his amendment. Will those gentlemen who propose to move amendments please send them in? In the meantime as soon as Mr. Chetty has finished, I will return the amendments to the gentlemen that propose moving them.

Mr. V. K. Chetty (Southern India Chamber of Commerce, Madras):

Mr. President and Brother Delegates,

I wish to say only a few owrds in support of this Resolution. When the Mont-ford Reforms were introduced in 1921 it was expected that in another 10 years after a formal inquiry full responsible Government on dominion lines would be established. Since then commissions and committees have sat, a series of conferences were held. Each Report was drawn up so as to water down the proposals of the previous Report, and considering the conditions precedent that have been prescribed in the White Paper, there appears to be no chance of the new constitution coming into its stride at any early date. After each stage in these protracted proceedings the manoevres of one and all of the representatives of the British parties have been designed as to how best to clog the wheels of the future constitution. Powers are now to pass from a packed Assembly to a single individual in the person of the Governor or the Governor General, and in order that he may have ample opportunities of exercising his extraordinary powers, a number of periodical break-downs have been devised so as to bring the juggler into play. The services are set up against the responsible Ministers. The Financial Adviser is set up against the responsible Finance Minister. The Rail-way Board is set up against the Minister of Communications. Whole departments like Foreign affairs, Army and the Church are taken out of the effective purview of the legislature. Some sections of the population are heavily weighted against the others for representation in the legislature. While decrying discrimination at the top of their voice, the British statesmen are going to perpetuate the inequalities of representation of Indian Commerce and Industry as against European commerce and industry. In my province of Madras, the Southern India Chamber of Commerce has 435 members scattered over the whole presidency with a number of affiliated associations and chambers, and yet it is given only one seat in the future Madras Legislative Assembly, while the European Chamber consisting only of 50 members is given two seats, and what is called the Madras Trades Association consisting of 11 shop-keepers in Mount Road is given another seat. It does not lie in the mouth of the British Government to say in the face of such inequalities and preposterous discrimination that Indians are out to browbeat Europeans. Let there be equality between the two sections of commerce and let them not remain perpetually suspicious of and hostile to each other. In the future constitution many more problems will require to be tackled by joint and concerted action and let not the Indian Government Act

of 1934 put them down eternally into opposite camps. Sir, I, therefore heartily support the Resolution.

President: Mr. Santanam, will you please now move your amendment?

Mr. Santanam (Indian Life Assurance Offices Association, Bombay): Sir, there would seem to have been an undue excitement over my proposed amendment and when I read it, I think the flutter in the dovecotes will be found to have been unjustified. The amendment proposed practically adopts the first paragraph of the Resolution, with a slight modification. The resolution will now as I propose run like this:

"The Federation, having carefully scrutinised the proposals for Indian constitutional reforms as embodied in the White Paper is of opinion that the same are not only definitely reactionary and retrograde and fall far short of even the legitimate aspirations of the country but they are in direct breach of the solemn promises of conferring a constitution on India on the lines of the Dominions made on behalf of His Majesty's Government by the British Ministers from time to time."

You will see that I have changed the words 'modest aspirations' into 'legitimate aspirations' and I have cut out the words 'and make the conferment of dominion status recede into a remote future.' Then I propose to omit the second and the third paragraphs of the original Resolution and instead of that I wish to substitute the paragraph which reads as follows:

"This meeting is also strongly of opinion that the proper consideration of the White Paper cannot be obtained under the present circumstances when the freedom of speech and of the Press is generally denied, and the Congress, which is the largest political organization in the country, continues to be suppressed. This meeting therefore believes that no useful purpose will be served by participation in the consideration of the constitutional changes unless and until full political liberty is restored to every section of the population and measures are taken to ensure co-operation and that any attempt to thrust on the country a constitution which may be unacceptable to its people will, instead of allaying the present discontent, intensify it still further and will make the constitution, whatever it may be, altogether unworkable."

Mr. B. Das: Sir, may I rise to a point of order? The portion in which he alludes to our participating does not arise. The original Resolution covers our views on the White Paper and the amendment suggests that nobody should participate. Whom are we asking to participate?

Mr. Santanam: After I have explained my position probably Mr. Das will be in a position to raise his point of order better later on. In the thing that I read I have in the second clause after the words "freedom of speech" added the words "freedom of press."

President: Let us see if there are any more amendments. In the meantime I will have some copies of this typed so that the delegates will be able to follow your speech better. In the meantime if there are any other amendments they can be put in and read.

Mr. Ebrahim G. Currimbhoy has tabled the following rider to be added to the original resolution:

"And so the Federation proposes to send its delegates to participate in the deliberations of the Joint Select Committee with a view to getting it altered suitably to the Indians' aspirations."

Sardar Bahadur Sardar Sobha Singh has submitted the following to be added to the original resolution:

"The Federation decide to send a small delegation to appear as witnesses before the Joint Select Committee and to do necessary propaganda in Great Britain in the interest of the commercial community."

Lala Padampat Singhania has submitted that the following be added at the end:

"And this Federation is of opinion that individuals should have freedom to take steps to get the proposed constitution suitably amended."

(The House adjourned the discussion for some time to allow copies of all the amendments to be made for the use of the delegates.)

Mr. A. R. Siddiqi: May I know, Sir, if this House is in session? Is that the Executive Committee sitting there? I feel that we are being unfairly treated and I appeal to you to protect

out rights: we cannot be treated as if we were mere straw here: we have come at the expenditure of time as well as of money and I do resent this sort of treatment of the members of the House.

President: I am sorry that instead of five minutes that I thought we would take in discussing and trying to arrive at a solution if possible it has taken somewhat more: and I am afraid it might take a little more, but it is worth it.

It is a very important point affecting the future constitution of India. It does require fuller consideration in order to meet all view points. A number of amendments have come in so far, and therefore the time spent on trying to meet as many view points as possible and at the same time without showing any differences or weakness will be well spent. If, however, you think that in the meantime when these group talks are going on we might proceed with the other resolutions which are much less controversial, we might do it; I have no objection. Pending further group discussions, let us take Resolution No. 15 relating to the World Economic Conference.

Mr. B. Das: May I suggest that the Chair should kindly ask if there are any amendments to this Resolution also?

President: Are there any amendments to the Resolution relating to the World Economic Conference? We are deferring consideration of Resolution No. 4 on the White Paper to allow more time for further group discussions. In the meantime we will take up Resolution No. 15 relating to the World Economic Conference.

WORLD ECONOMIC CONFERENCE.

"(a) This Federation is of opinion that India should be represented at the World Economic Conference only by Indians enjoying the confidence of the Indian commercial community.

(b) This Federation urges that on behalf of India the point that should be stressed at the said Conference is that in order to rehabilitate the buying power and economic strength of the masses it is necessary

(i) to take immediate steps for increasing the prices of commodities in general and specially of agricultural products within the country;

(ii) that the Currency and Exchange policy of India should be regulated with the above end in view;

(iii) that India should have the fullest liberty to become self-subsistent as regards all articles needed for the consumption of the masses and to develop all industries that can be developed in the conditions of India and thereby solve the problem of unemployment and under-employment in the country.

(c) The Federation is emphatically of opinion that in determining any scheme regarding organisation and production, the said Conference should not treat countries backward in economic development on a par with the more advanced ones and should not recommend indiscriminately the same kind of restrictions on all countries generally but leave special scope for the development of the less advanced countries, particularly of those like India whose industrial organisations are not dependent on external markets."

Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta) in moving Resolution No. 15 said:—

Sir, I beg to move the 15th Resolution on the Agenda. As it has been circulated, it is not necessary for me to read it over again. As you all know, gentlemen, for some time past a proposal has been mooted and accepted by several countries in the world that a world economic conference should be called for the purpose of solving the difficulties that have overcome the world and have resulted in the trade depression which exists in the universe. For that purpose, as I have no doubt you are further aware, a set of experts were asked to sit down and prepare an annotated agenda for the World Economic Conference. That annotated agenda is now available to everybody, and I hope that several Members of this House have carefully gone through the same. This is not the first time that a World Economic Conference is going to be called for the purpose of solving the many difficulties that exist. Previous conferences, as you all know, have met and passed resolutions, but with little effect for the better on the condition of the world, and it is quite possible that, although much advertisement has been made in regard to the next World Economic conference and much hopes have been built up in the minds of the people in various countries that as a result of the next

conference more prosperous condtions will come into existence, it is quite possible that the result of the next world economic conference may follow the fate of the previous sister conferences. In order to consider the proposals that have been put forward by the body of experts that prepared the annotated agenda, it is desirable that we should visualise to ourselves for a short time the circumstances that exist in the world and also the interest of India in regard to the vital questions that will come up for consideration. During the war many of the highly industrialised countries could not go on producing the goods that they were accustomed to produce for export to various countries and on which their economic prosperity depended.

As a result thereof, and on account of the famine of goods that prevailed many countries were encouraged to set up new industries for the purpose not only of supplying their own requirements but also of other countries that did not set up similar industries. After the war many countries who had money to spare, lent money to those other countries and further encouraged them to establish new industries. When, however, the war came to an end and the belligerant countries tried to re-adjust themselves to their former conditions, they also began to produce goods as a result of which price depression became the order of the day in the world. As a result again of the fall in prices, currencies began to be deflated in almost all countries and debtor countries being unable to pay off their debts began to export gold to a few select countries. The result now is that those highly industrialised countries, those countries which were highly industrialised before the war, find it extremely difficult to export their goods to their previous markets, and the newly industrialised countries on account of the depression that prevails are not able to make both ends meet and find it very difficult to carry on their newly started industries. While all this is going on, unemployment goes on increasing, and as unemployment goes on increasing, consumption goes on further decreasing till we have reached a state of condition that while goods go on rotting in one part of the country, other people go on starving and remaining naked in other parts of the countries or other countries of the world. A solution has therefore to be found whereby this difficulty may cease to exist. But where we look at the annotated agenda, we find that the experts have made as their thesis a doctrine which is to be found at page 6 of that annotated agenda. It says:—"Free international co-operation has given place to complex and harassing

regulations designed to safeguard national interests. If a full and durable recovery is to be effected, these prevailing conflicts of nationalism must be dissolved." It is this passage in the draft annotated agenda which has been made the thesis of the suggestions that the experts have put forward before the world for consideration at the next world economic conference. Gentlemen, you are all aware as to what happened at the previous world economic conference. What happened? Representatives went from different countries to that conference with a mandate from each country that they should see to it that other countries bought her goods. It is in this spirit that the delegates went to the conference, ate perhaps lunches and dinners and embraced each other and thought that a chemical combination of the various delegates had resulted, and there they all expressed the opinion that trade barriers should be removed, exchange restrictions ought to be removed and every possible step should be taken so that every other country should stop manufacturing goods and should take the goods of the country whose delegates were advocating such a policy. It was not, however, a chemical combination but only a mechanical mixture. And when the magnet at home re-attracted those delegates back to their respective countries what they found was that, so far as the individual country was concerned, it was very necessary that the trade barriers should not only be continued but they should be further increased in order that her industries should not go to rack and ruin, but should further extend so that each country may so far as possible be not only self-subsistent but be able to export goods to other countries, and I feel that the same fate is going to attend the next session of the world economic conference if a similar attitude is going to be taken up by the delegates that go there. In such circumstances it is very necessary to see that Indian interests are not sacrificed to the interest of any other country. I say this especially in view of the fact that India has not yet got freedom to work out her own salvation but is still in the political grips of another country. If you want to have any idea as to how the interests of India are going to be looked after it will be sufficient for me to draw your attention to the fact that in the body of experts Sir Cecil Kisch, Financial Adviser to the India Office, London, represented India. You can easily imagine therefore that unless we see to it that the interests of India shall be looked after at the next sessions of the World Economic Conference by Indians who will try to protect the interests of India and not even indirectly be affected by considerations of the good or the interests

of other countries, we shall probably find that India will be made a cat's paw as happened in the case of the Ottawa agreement. You have seen, gentlemen, how in the case of the Ottawa agreement the whole opinion, political and commercial, was absolutely united on this that the Ottawa Agreement was not only not beneficial to the interests of the country but was highly deleterious to our interests and still the Government managed to get the Ottawa Bill passed through the Assembly. We cannot therefore rest on the fact that after the Resolutions of the World Economic Conference are passed, we shall see that unless those Resolutions are beneficial for us they are not accepted by our legislature and are not adopted with reference to India. It is necessary that we should be watchful from the very beginning and it is therefore that in the first part of the Resolution we want to convey that the interests of India should be looked after only by Indians enjoying the confidence of the Indian commercial community. Then it becomes necessary to state what it is necessary to urge on behalf of India because the World Economic Conference cannot but take into account the circumstances prevailing in each individual country. The Conference is nothing unless it does take into account the stern facts that affect each individual country. If it simply goes into theory and forgets the stern facts that prevail, the decisions of the World Economic Conference cannot be beneficial to the world as a whole which is essentially composed of various units. When we look at the condition of India, we find that our chief defect is that prices of agricultural commodities have so far fallen that agriculturists are not only not able to pay the rent to the zamindars or the interest to the mahajans but have got to sell gold and silver in order to buy the few necessities with which Indians are in the habit of maintaining their life. In such circumstances it is absolutely necessary to see that the prices of agricultural commodities should be raised without any further delay and in fact the price of commodities in general should rise in order that India may be placed on the road to prosperity, The best way in which it can be done is to shape our currency and exchange policy in such a manner that the internal prices may rise. In fact the attention of the Government should be directed more towards the internal conditions of the country rather than towards the stabilisation of the exchange. Exchange should be made to serve the interests of the country. The country should not be made to serve the exchange. What has happened in fact is that India being under the political domination of England we have been forced to protect the exchange rather than

to protect the internal conditions of our country and therefore this Resolution recommends that the currency and exchange policy of India should be regulated with a view that internal prices should rise. Furthermore in order that the problem of unemployment and under-employment may be solved it is necessary that India should be allowed to industrialise itself. Nothing should be done at the World Economic Conference by which the right of India to further industrialise herself so as to become self-subsistent as regards all articles needed for the consumption of the masses, and so that India may have the fullest opportunity and liberty to develop all industries that can be developed in the conditions of India may be jeopardised. I do not think that there can be the slightest controversy over this question and I hope you will all agree with me that these conditions should be made a mandate for anybody who represents our country at the World Economic Conference. Lastly this Resolution recommends to you that the Economic Conference should not again make the mistake of treating all countries on the same level. There are countries in different degrees of development, countries which require different kinds of treatment. It is necessary that the highly industrialised countries should remember that other countries which have now made up their mind to industrialise themselves will not continue to buy manufactured goods from them. It is necessary that they should so adjust their production so that they cater more for the needs of their own country rather than rely on other countries buying their manufactured goods and therefore it is fundamentally important that the World Economic Conference should bear in mind the differences that prevail in the different countries especially between highly industrialised countries and the newly industrialised countries and especially in the case of countries like India whose industrial organisations are not dependent on external markets. I hope gentlemen that you will accord this Resolution your unqualified support.

Mr. H. P. Bagaria (East India Jute Association, Calcutta): Our country unfortunately is in such a position that we get in a full measure, sometimes even in an exaggerated measure all the evil influences on world economics but we do not get even to the slightest extent any favourable influence. During the War there was a magnificent opportunity before this country of developing its industries and placing its economic position on a sound footing. The United States and Japan took the fullest advantage of the situation that was created by the War and instead of being debtor countries

they have transformed themselves into creditor countries by taking suitable action. Here in India we accumulated tremendous balances in London. By the action of the Government of India these balances were frittered away and India did not get any advantage from that position. Even recently when England went off the gold standard, this country has been made to take a course which was exactly opposite to what England took to protect its interest. When England fixed a limit to the maximum point to which sterling could go, India fixed a limit to the lower point of exchange but put no limit to the upper point of exchange. England tried to preserve its gold balances. America recently tried to do it but we are being told by our Finance Member that it is not in the interest of India to tamper with the exports of gold. I am very doubtful whether any good will result from this World Economic Conference. Now, as regards the question of raising prices, I feel that it is useless to expect anything from the present Government. The worst of having a foreign government is that they are like soulless machines. Their bodies are here and their souls are five thousand miles away and they are always thinking of the days when they will retire from this country and spend their days in peace in their native land. About three years back, we called a conference at the Bengal National Chamber of Commerce to consider the question of relieving the distress among the jute cultivators of Bengal. The Finance Member of the Bengal Government who was smoking a costly cigar costing perhaps two rupees talked glibly and said that so far as he was aware there was no economic distress but there was only scarcity of money. It is useless to expect anything from the present Government. God has endowed Bengal with a magnificent monopoly. Jute is a 100 per cent monopoly of Bengal. It is possible by taking suitable action to raise the price of jute to such a level as will bring a fair return to the cultivator. In spite of our agitation the Government has failed to realise the importance of this commodity and they have done nothing. Therefore I think that while we may pass this Resolution we cannot expect that any good will come out of it. With these words I second the Resolution.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay), said: While I entirely endorse everything that has been said by the Mover of this Resolution I may be excused if I strike a discordant note as to the general trend of the Resolution on a question like this. Reading this Resolution what struck me was that this Resolution has

confined itself to what I may call some sectional interests. I expected that a commercial body with the importance of this Federation would bring to bear on this question some very weighty and thoughtful contribution towards the solution of the questions which have been perplexing the different countries of the world. When I heard that the Federation was going to consider the subject of the World Economic Conference I thought there must be some well thought out scheme, some well reasoned plan accepted by the Executive Committee of the Federation which we would be asked as a Federation to place before the world as our contribution towards the solution of this knotty problem. I am rather disappointed. I do not blame the mover of the resolution for that. Many men much greater than all of us here have failed in different parts of the world to find a proper solution of the problem. But what I do feel is this, that in a resolution of this character we could have brought in questions like the revision of the debt question for instance which very closely affect us, a revision of the whole military policy, which has been so vitally affecting the well being of the world, and so on. Questions of this character, if they are well reasoned out and put into proper shape I think would have gone as some contribution on our part towards the solution of this question. I do entirely agree that so far as the interests of India are concerned these interests will be well served on the lines laid down in the resolution, but when you are out to discuss questions of international importance like the World Economic Conference, a question which raises for instance the main issue of the future position and status of silver in the world, I expected that this Federation would say something which would carry some weight in the deliberations that would take place in the World Economic Conference as a well-reasoned contribution from the commercial community of India. I hope my remarks will be taken in the right spirit by the mover of the resolution as well as by the Executive Committee. Sir, I cannot help feeling that all this comes out of the faulty organization of this Federation so that the Executive Committee meets at the eleventh hour and rushes through resolutions of this character without finding the necessary time to put these resolutions into proper shape and form. If the Executive Committee could afford to meet a little earlier than the eleventh hour, I am sure such half-cooked and ill-conceived resolutions would not be placed before us for our consideration.

Mr. Chunilal B. Mehta (Bombay Bullion Exchange, Bombay): Sir, if any country in the world has done the greatest services

towards relieving the present world trade depression, it is India by exporting gold to the extent of 120 crores, and it has been admitted and accepted by the world economists as well as by our Finance Minister, Sir George Schuster. Gentlemen, the World Economic Conference was to meet perhaps last year or before that time, but from time to time it was postponed for one consideration or another because the different delegates of the different countries did not come to certain unanimous opinions. We all know that Great Britain totally refused to come on to the gold standard unless and until the war debt question was settled. On the other hand we also know that America always insisted that before the World Economic Conference, there should be an arrangement that Great Britain should come on to the gold standard and after that the other countries of the world also should come on to the gold standard. There were other questions also such as disarmament, Tariffs & etc. The position of India is entirely awkward and unbearable. We have been tied down by the Ottawa Agreement and we have no free scope to negotiate with the other countries of the world. Our tariff walls are fixed by the British Government according to the Ottawa Agreement on the one hand while Great Britain herself is negotiating with different countries of Europe as well as with other countries of the world such as Denmark, Sweden, Norway, the Argentine for trade agreements: and if I forget not, what might be called the Commerce Member in the British Parliament, Sir Cunliffe Lister, said that they are negotiating with 20 countries to come to a trade agreement for the relief of the trade depression. Sir, on the one hand our own hands are tied down by the Ottawa Agreement, on the other hand, Britain, which has come to an agreement with us over the tariff preferences, is now negotiating trade treaties with other 20 countries to whom it is quite possible that she would give some preferential treatment in exchange for British goods while we would remain without any preference from those countries! At present we all know that the Prime Minister has gone to Washington especially for this purpose. Before his going there we also knew that the British Ambassador had a number of interviews with the Home Secretary in America as well as with President Roosevelt and it seems that they have prepared a certain ground so as to come to an arrangement between themselves, and after having prepared that ground they are now to give the final seal perhaps and that is probably why the Prime Minister is going. We all know that just about two months ago the Prime Minister was to go to America but at that time

it was suddenly dropped. We did not know why it was dropped. Now he is actually going and it is certain that Britain and America among themselves must have come to certain specific arrangements on which they will start negotiations at the World Economic Conference. We all know that it is meeting on the 1st of June. Generally, the fundamentals are always agreed behind the curtain. The main principles are always fixed up and settled beforehand and then people go to the big meetings just to make some big speeches and so on and then they say that the Conference was very successful. We all know that there is now a long line of negotiations between different countries going on. But, alas, in all these negotiations India has no part whatsoever, and, therefore, it is quite possible that the claims of India will be entirely overlooked at the World Economic Conference as they themselves are so much entangled and would like to free themselves from the present position. In these circumstances it is very necessary to bring forward some constructive proposals also. We have said that the purchasing power of the masses should be raised and that the raw commodity prices should be raised. Every country of the world—America, England, Germany—joins in the chorus that the raw commodity prices should be raised. Now gentlemen, at least in India it used to be supposed to be a good time when the prices were cheap so that poor man could buy everything. But now when the prices are very very cheap, we think that the times are very bad. How is that? The reasons are these, that the raw commodity prices have declined tremendously but the prices of manufactured articles have not declined and the labour wages are not declining, and therefore there is all this trouble. If the wages decline along with the decline in commodity prices, then we would not feel so much depression and distress as we feel at present. However, it is certain that in these days wages cannot come down and therefore the prices should be raised. One way to help India is to raise the price of silver. Now I am really sorry that since the last two years the silver resolution has been put in the background by this Federation as by moving the same from the Chair without any speech as if it was of no importance because the Government of India say that silver is the produce of a foreign country and to stimulate the price of silver would be tantamount to sending capital out of India. As 70 per cent of the gold is produced in the British Empire, they are always keen on gold, but because 70 per cent of the silver is produced outside the British Empire, they would not like silver prices to go up. And since the last two years the Federa-

tion itself has put this question in the background. Now if we take a little stock, I would tell you that silver weighing about three billion ounces is in India and an improvement of about 10 per cent or even 5 per cent in the price of silver would enormously increase the purchasing power of the masses. Sir, the Government of India seem to have a definite policy to keep down the silver prices whatever happens to other commodities. They are regularly selling silver and there is no one to tell them that you should not do so. The Hilton Young Commission recommended that silver should be sold and gold should be acquired in its place. There was also the recommendation about the 18 pence ratio ; there was the recommendation about the Reserve Bank ; it was also mentioned by the Hilton Young Commission that all the recommendations were to be taken in toto and not one or two out of them. Now there is no Reserve Bank. The 18 pence gold ratio was fixed, but it does not exist. Silver is being sold, but gold is not being acquired. Yet the Government of India pursues its policy of selling silver. Perhaps it is possible that the Government of India would like to bargain on this question with America at the World Economic Conference because America is much interested in raising the price of silver. The silver mines in Mexico are being financed and worked by Americans. Secondly, America has a big trade with China, which has a silver currency ; and if silver prices are raised America will improve her trade with China. Under these circumstances, America desires to see the silver prices to go up, but the British Government desires that silver prices may not got up. There are two opinions in Britain itself. Sir Robert Horne, once the Chancellor of the Exchequer, Mr. Darling, Director of the Midland Bank and the Economists of many countries are also saying that silver should be raised, but nothing is done. I think we should do something to incorporate the point that something should be done at the World Economic Conference by which silver prices could be improved. With these few words I support the resolution. (Loud Applause).

Mr. Debiprasad Khaitan : Sir, I am grateful to you for having called upon me to speak again in view of the remarks that have been made by my friends, Mr. Shroff and Mr. Mehta. I can assure Mr. Shroff that I take his remarks exactly in the good spirit in which he has put forward the same. He should never have entertained the slightest doubt that I would take his remarks in any other spirit. As regards his suggestion that the Executive Committee should have

more thoroughly considered the subject-matter before it and should have put forward a more comprehensive resolution in order that the resolution of this Federation may be taken as a real contribution towards the solution of the problems that come up before the World Economic Conference, all that I can tell Mr. Shroff is this that as he might have noticed himself no Indian was allowed to take part in the discussions between experts and at which India was represented by no other person that Sir Cecil Kisch. This Federation would certainly always be prepared to make the best contribution it can towards the solution of the world problems. It is not that there are not people in India who would be able to bring to bear upon the problem a very intelligent view of things. But as matters stand at present the Federation of Indian Chambers was never taken into confidence either by our Government or by the authority that set up this body of experts. In these circumstances it was not possible for us to bring intelligent light to bear upon the problem in so far as the draft annotated agenda is concerned. Now if we tread upon the grounds upon which the accredited representatives of the European countries and also of the United States of America met in conclave and prepared this annotated agenda, they might well say to us, "You look after your own affairs and we look after ours and you need not poke your nose into our affairs". They might well say to us, "We understand our affairs best and if you have alternative propositions to bring forward to us you better save us the trouble." We do not want to meet any opposition of that kind. It is best that we look after our own interests. India in fact contains within its borders one-fifth of the population of the world and if we can look after our own country, if we can assert ourselves, if we can say that the world economic conference should take into consideration the facts as they exist in India, I have no doubt that the discussions of the World Economic Conference will be carried on in a proper way. All that the World Economic Conference have been thinking about India is how to make India a better market for the exporting countries of the world, and it is against this menace that we have got to fight to our last breath in order that we may be able to live. I hope therefore that Mr. Shroff will not blame the Committee for being either short-sighted or for not having fully considered the implications of the agenda as it has emanated from the expert body. We know our conditions best and if we can draw the attention of the World Economic Conference to our needs, the minimum that we want, the way in which we want to progress and

that we want no further encroachment within our territory and that India is able to become self-subsistent, I think we shall have rendered very great service not only to our country but even to the world at large. Let us tell the world at large that if they want to improve themselves they will have to take their eyes off India in so far as we can produce the goods for our own requirements.

As regards silver I hope that both Mr. Mehta and Mr. Shroff have read the draft annotated agenda and they will find that the question of silver has been dealt with there. But I may say at once that although what I am going to say may not be the opinion of everybody, I may express my personal opinion, not on behalf of the Executive Committee but on behalf of my own self, that silver is a question which is rather intricate and complicated and not so easy of solution as Mr. Mehta may imagine. I am not one of those who believe that simply by raising the price of silver we can improve the condition of the masses. That condition may have existed about 30 years ago, but during the last 30 years circumstances have certainly changed, and although I am prepared to admit that to a certain extent the condition of the masses may be improved by raising the price of silver, I do not consider that the question of silver is even one per cent as important as the question of the currency and exchange policy by which alone we can raise the price of the agricultural products and raise the price of commodities in general, and by which means alone we can achieve the prosperity of our country. In these circumstances I do not want to play into the hands either of America or into the hands of England for the purpose of soothing America by ourselves putting forward the proposition that it is an essential desiratum for our country to raise the price of silver. We have in regard to our own Government always put forward the view and we have also put forward the view at this session that it is desirable that the price of silver should be increased. But coming to the World Economic Conference, I would much rather use silver as a handle rather than give up the weapon before we cross the threshold of the Conference.

Resolution No. 15 regarding the World Economic Conference was put to the vote and carried unanimously.

President: Before we proceed to the other Resolution, the Honourable Mr. Perisundaram, Minister for Commerce in Ceylon would like to say a few words in reply to the welcome that I gave

him on behalf of you, gentlemen, for attending our deliberations here.

Hon'ble Mr. Perisundaram: Mr. President and Gentlemen, I must thank you very sincerely for the very cordial welcome you had extended to me to be present at this session of the Conference, and I need not assure you that I accepted the invitation with the greatest keenness not only to give me the pleasure of being personally acquainted with each and every one of you, but also to emphasise to you the necessity for continued trade relationship between the two countries India and Ceylon. The ties that bind Ceylon and India go back to the very dawn of times and I can say that the first king of Ceylon, Vijaya, the founder of the Singalese race was a prince from Bengal, and during the two thousand year old dynasty Singalese kings frequently went to India for their brides. As a matter of fact, so far as recorded history goes, in 247 B.C. King Devanampiya Tissa at his coronation received very many treasures, of which some are supposed to have miraculously appeared because of his very good nature and that those treasures were sent by Devanampiya Tissa to Asoka the great Emperor for the great love and esteem he had for him and the genuine ties of friendship that bound them. The Emperor Asoka in return sent a mission to Ceylon, sending his son Mahinda who converted the Ceylonese king to the Buddhist faith. Subsequently the sister of the Emperor Asoka, Sangamitta, carried a branch of the sacred Bo tree under which the Lord Buddha attained enlightenment, and that was planted as a memorial to the establishment of Buddhism in Ceylon. Since then there had been continuous relationship and it was no question of tribute from Ceylon to India because of any dependent position she held or of any liegedom or vassalship which Ceylon had towards India, no king from India having conquered at any time the whole of Ceylon. The two countries had their own independent history. But on the other hand their affinities were very great, historically, ethnologically, culturally, religiously, socially and commercially. And if I might keep you a minute more I might say that as an indication of the good will that existed between the two countries, strengthened perhaps by the fact that the Singalese kings and Indian Kings sent mission to each other, from time to time, the mission on which I have come is not out of place ; though I do not like to compare this mission in point of importance with the missions in those times. Though the ties between the two countries had been

most times cordial and at some times more conflicting because there had been wars between the two countries also, I have come here not in the spirit of waging a warfare with the commercial magnates of this country or the commercial interests of this country. I have come in the spirit in which King Asoka sent the hand of fellowship and his religion to Lanka and in a simpler way to say that the relationship which existed for the last two thousand years and more between the two countries must be continued further, and that whatever understanding or misunderstanding there had been ought to be cleared up, so that in our future relationship we may be able to have more cordial exchanges of friendship and strengthen more the ties that existed in the past for their continuance in future. But I may say that I have not come here to propose any Resolution. There are several Resolutions which you have put before this House and which I have listened to with deep interest, and if there is no Resolution on the agenda of this meeting that there should be increased and more strengthened trade relationship between India and Ceylon, perhaps the absence of that fact is due to my being here personally. Probably I am a silent Resolution myself standing before you for expression. You would give me a little indulgence if I might just touch upon the commercial importance between the two countries. Trade connections between Ceylon and India, though they have been long-standing, have always assumed great importance probably on account of the dependence of Ceylon on India for the supply of the food-stuffs required by her population. One of the Resolutions which you had before and which I do not find in the agenda was that you complained most bitterly against the adverse balance of trade of this country. But I might assure you that so far as India and Ceylon are concerned you have a very favourable balance of trade. Your annual export to Ceylon in 1932 was 80 millions of rupees but the import of India from Ceylon was in 1931 only about 8 millions. And last year we increased this export to you to 15 millions. But my fear is that owing to certain representations from certain quarters that trade is going to be lost to us. I want you to visualise the situation, when you have an export trade with Ceylon amounting to 80 million rupees and when our export trade with you does not run up to over Rs. 15 millions, whether you should not think that the very large and favourable balance of trade you have in Ceylon is a preference by itself that Ceylon has accorded to you. It does not stand at that ; it is something more. India holds the first place in our imports and any other country comes only behind. I

say, gentlemen, that is a natural advantage which you have and which Ceylon has granted to you. I may say that being your neighbour and at your very threshold, standing at the end and the southern-most part of India, though Ceylon is a small place we have given you preference and received you as our foremost customer in our trade connections. If that is so, when our trade figures with you so far as our exports are concerned, do not exceed more than 15 millions, is it right that by high tariff barriers and by high import duties you should exclude our trade, or rather retard our trade. That is the position which I want you to clearly understand. Our principal produce is really coconut produce. We have one million acres of cocoanut cultivation in the island. India imports I think about 18 million rupees worth of cocoanut produce from outside in which Ceylon's share is only 10 millions. All that we say is that we want a fair and a favourable market in India for our principal products for the simple reason that Ceylon is importing from India your rice worth 44 million rupees as against our export of cocoanut produce of 10 millions rupees to India. We are importing from India rice 44 million rupees worth a year, Dried fish about Rs. 6 millions: and besides onions, potatoes and other vegetables which are included under vegetables on which there are hardly any or no import duties —about Rs. 2,000,000. Textiles is another important commodity which India imports into Ceylon. As a matter of fact in spite of the depression the Indian trade with Ceylon in textiles has not decreased very much: the fall has been very slight—from 12,214,000 yards to 11,168,000 yards. But I must say that the Japanese have increased their trade in spite of the depression; they have increased from 24 million yards to 40 million yards last year or an increase of 24 million yards. So if you have proper understanding with Ceylon, you can not only maintain your trade but increase it and capture the market which Japan is now catering for. Therefore I hold out that possibility to you that without losing your trade you will be able to improve and strengthen the trade on proper understanding if you show sufficient good-will towards establishing our trade with you. All that we are interested in is cocoanut produce. That is the only produce and that represents 10 million rupees worth in your Ceylon imports of 15 million rupees as against the Rs. 80 millions worth which we import from India. An argument has been used the force of which I cannot see, that Ceylon has been importing into India a lot of cocoanut produce and is killing the interests of the producer here. I must remove that misapprehension taking

advantage of the opportunity you have given me. It has been said that India at one time used to export a large amount of cocoanut produce other than that required for her own internal consumption and that export has now fallen and therefore the inference has been wrongly drawn that Ceylon has not only captured your overseas markets but also has been dumping into India. The reason is not that. The reason is that India's consumption of vegetable oils has increased considerably: India is a potential consumer of vegetable oils. As a matter of fact we have one million acres of cocoanut while in India the area is 1,300,000 acres. If the Indian people have not taken kindly to animal fats or other oils, if India prefers cocoanut oil it is because of its purity and quality ; and if the taste for cocoanut oil has increased, then India can consume not only the produce of 2 million acres, the combined production of India and Ceylon but of another 8 million acres of cocoanut produce. Therefore it is not competition at all. Our attitude in our expansion of trade is not competitive but supplementary. Take tea for instance. Both India and Ceylon are producing tea. In India there is a cess levied for propaganda purposes in the world market and in Ceylon we have imposed the same. Therefore though tea is produced on a large scale the tendency is to increase the consumption of that particular article by creating a generation which will use it more and more. In spite of the depression, in spite of low prices we are trying to extend the market in tea. That should be the idea towards cocoanut also. Instead of merely making the producer idle by telling him he can have a good price for his produce by a high tariff valuation on imported cocoanuts and high duties, I say they must extend their markets to the north. Travancore and Cochin and the Mysore coast do produce a lot but their aim should be to extend the market more and more. Therefore we have come not in a spirit of competition but in a spirit of supplementing and encouraging the people to consume more and more cocoanut produce. We cannot look with blinkers only at one aspect of the question. The imposition of 25 per cent duty on cocoanut oil and 20 per cent on other produce is not the *quid pro quo* for the very large opportunity which we are giving to you and the large amount of trade you have with us. The reduction of this duty will be to our liking rather than your saying that we will put a high duty and then give preference. That policy of preference can be considered on its merits. But the present duties are prohibitive and they retard the opportunity for extending our principal industry. Again, the cocoanut producer is not the only

man whom you must consider. I am speaking not as a minister of Ceylon but as an Indian. Are you going to give consideration only to the interest of a few cocoanut producers? We are importing 44 million rupees worth of rice from India. If our commodity prices are low and produce is also on a very low level, the circulation of money is very much limited: and we cannot then consume all this rice. All these vegetables and coriander and curry stuffs and all that which we are importing now on a large scale, we cannot afford to import. So it is not the producer of cocoanut alone that should count. I want to emphasise another aspect of the question. It is always said in Ceylon that the Indian is having a powerful position in Ceylon. The import trade of India is in the hands of Indian merchants in Ceylon: the amount of money which he makes comes back into this country for circulation: and therefore if you kill our major industry that trade is bound to suffer. Take again the case of the Scindia Steam Navigation Co. which is trading with us. If you are not going to export our copra and cocoanut produce and bring us rice and other things, I do not know what blessing your Chairman can give in respect of our attitude. In every aspect I say that India has much to gain.

There is another aspect which I shall emphasise in the interest of my constituents the bulk of whom are Indians and on whose franchise I have come. Ceylon employs the largest Indian population outside India and they form 8 lakhs or 1/6th of the total population of the island. In the boat on which I was coming to India from Talaimannar, there were 342 Indians who were being repatriated free at the expense of the State because we have no employment for them. I ask you if the policy you are going to create should not be in the interests of these people. Increase of trade with us means more prosperity: and more prosperity means that the Ceylonese will be engaged in cocoanut plantations and keep on Indian labour in the other plantations: but if the major industry is affected then he will have to replace this labour, this large surplus labour which India is not able to maintain herself. The presence of those labourers in Ceylon brings a lot of liquid cash into India and also money in the shape of income-tax from traders to your coffers. Therefore any reduction in the cocoanut duties should not be considered merely from the point of view of a protective duty, because as I said we are not competitive but supplementary. From the point of revenue also you should consider this. After all we

are exporting only 10 million rupees worth of cocoanut produce and if you put 25 per cent. duty on it, what will be the amount which you will lose if you reduce it It will be a mere bagatelle compared to the whole scheme. As Sir Purshotamdas Thakurdas said yesterday by restoring the salary cut, there was a loss of 55 lakhs. Therefore if you reduce the duty on this Rs. 18 million worth of cocoanut produce you import, it will be a mere bagatelle.

I would like therefore to stress the view that when you have a very favourable balance of trade with us, your attitude in this particular case ought not to be of raising a high tariff-wall in order to protect one kind of industry or say that you will give us preference. In Ceylon the duties are very low: we have no protective duty at all because we are not an industrial country. Our duties do not exceed more than 15 per cent. and as I said, on vegetables and such like that come from India there is no duty and if at all only a very small duty. Therefore, by low duties we are giving you a natural preference: by being next door to you and with large amount of trade we are giving you also a natural preference; and therefore on this one produce alone—and perhaps in the case of arecanuts also—I say you must take a favourable attitude and not be influenced by propaganda in this country which says that Ceylon is competing unfairly with India.

I thank you, gentlemen, once again for giving me this opportunity of being present here: I value it very much and I hope I will be able to continue to value it by accepting more of your invitations in the future. But it will be very much better if you gentlemen once decide to hold your conference in Ceylon and be our valued guests. I am sure we will extend to you the heartiest welcome when you come there. Our desire is for mutual co-operation for the good of both peoples and I am sure that the misunderstanding which may have arisen will be cleared up by this contact and we shall enter into a new era of prosperity and co-operation. I am particularly glad that this session was held at Delhi and that I was able to come and be present here because when I passed yesterday and saw the ruins and the New Delhi, the following lines came to my mind:

My cities are laid in ruins
My sceptre is long departed
And a new lord instead

Give me a bard, said Delhi,
A bard of my things to be,
I am living: I am not dead.

I am sure that Indian commerce and industry and your brains and intelligence and exertions will bring back to India the conditions of old and that living India will regain the trade which she has lost. I wish your Federation all success not only in deliberations but also in your essential relationship with Ceylon, a close connection which we very much look forward to and I hope you will give a right willing hand to establish that trade relationship on a more friendly and firmer footing. I thank you, gentlemen, for the opportunity which you have given me.

President: Immediately after the close of the resolution on the World Economic Conference, we have done some constructive work in connection with Ceylon. I do not know whether it was quite an accident that the Hon. Mr. Sundaram mentioned that Vijaya came from Bengal. I was going to commend to our incoming President to bear this in mind, but this close co-operation between Ceylon and India is very essential.

We now come to Resolution No. 14 on the White Paper. With regard to the amendment proposed by Mr. Santanam, I find there is nothing particularly new in it. Our decision about participation or non-particpation in the deliberations about constitutional reforms was taken long ago, and it stands as long as the question has not been raised by any of the member-bodies. I therefore request Mr. Santanam to withdraw his amendment.

Mr. Santanam: Sir, I very highly value your appeal to me to withdraw this, and with a view to save unnecessary discussion and in view of the fact that the policy of the Federation was laid down at a time when I had not the honour to be a member of the Federation or come here as a representative, still stands; and though the resolution that is framed by the Executive Committee on the White Paper and which is put forward for acceptance to-day, is defective in many respects and probably not very happily worded either, still in order that there may be no lack of harmony, I agree to withdraw my amendment especially as I am given to understand that the other amendments are also going to be withdrawn. I only hope that if any speeches are going to be made on the original Resolution, you will give me a chance to speak also.

President: Gentlemen, I am given to understand that Sardar Bahadur Sardar Sobha Singh and others are going to withdraw their amendments. In view of this, gentlemen, I will place before you Resolution No. 14 as proposed by Mr. Sarker before we adjourn for tea.

The Resolution was carried unanimously.

President: We will now take item No. 3 on the agenda—Revision of the constitution ; the alterations and additions as finally decided upon by the Executive Committee are given in Appendix B. If you read the note you will find that these amendments have been submitted and re-submitted for the last two years. The amendments as finally drafted have been before all the Member-bodies. No suggestions have been received, and therefore the only thing that remains for us to do is either to take them all *en masse* or to take them item by item. No amendment on this can be moved, and therefore unless there is any explanation wanted, I do not think there is much use in carrying on a discussion. If you desire, I will put them all in one block, or if it is the sense of the House, I will take each item separately. There is one small printing mistake on page 11 which I shall correct.

Mr. J. J. Kapadia (Native Share and Stock Brokers' Association, Bombay): Sir, I desire to make a few remarks before you decide to put these amendments to the vote of the House. I have considered very carefully the position with regard to our bye-laws, and I find there is considerable danger in placing the amended bye-laws to the vote of the House and getting them sanctioned unanimously. The Executive Committee are empowered to frame from time to time bye-laws. These bye-laws, I find from a provision of the rules, are not submitted every time to the vote of the House. The original bye-laws were framed and it has been provided by the Articles that the new bye-laws whenever they are to be framed are to be brought before the House for confirmation. Our constitution is subject to alteration under Article 26, but the byelaws are not subject to the same power of alteration at the hands of the House. My submission therefore is that once you prepare the byelaws and get them sanctioned, they for all time remain the byelaws, and the House will have no power of alteration so far as the byelaws are concerned. I find in the amended byelaws very important provisions regarding the conduct of our meetings. Take for instance

the byelaws which deal with the power of moving amendments. The byelaws make very comprehensive provision with regard to the moving of amendments, and it has been actually laid down that an amendement will not be allowed except with the permission of the Chair. I consider it is a serious invasion on the rights of those present at this meeting. It is the inherent right of the delegates to move an amendment to a Resolution. I find from the byelaws that while a member would be at liberty to move a Resolution, of which notice has been given and it has been included in the classified list of Resolutions, any delegate who wants to move an amendment to that resolution will not have the right to do so except with the permission of the chair. I consider that is a highly objectionable provision. Take a resolution which has been included in the list of classified Resolutions. Somebody who has suggested that Resolution moves it. Am I to take it that if I want to move an amendment to that Resolution, I cannot do so except with the permission of the Chair? To do that, Sir, would be a serious invasion on the rights of members. It is the inherent right of every representative who is present here to move as many amendments as he likes provided those amendments arise fairly out of the resolution. That is the ordinary accepted rule, but if we were to pass byelaws as they stand, there will be difficulties. If permission is given for the consideration of any resoluton or resolutions in this manner, it will be competent for any representative to move such amendments as he desires to make subject to the permission of the Chair. Now, Sir, this should not be subject to the permission of the Chairman. If a representative is allowed liberty to move a particular resolution, although it is not included in the regular agenda, but if it is included in the classified list of resolutions, and if according to that, he moves a particular resolution, then I submit most confidently that it should not be within the power of the Chair to refuse a competent amendment. If an amendment arises out of a resolution which the member moves, it is certainly the inherent right of every representative present here to make a competent amendment.

Then, Sir, let us go to the next byelaw at page 14. The Executive Committee may bring up a fresh resolution, of which previous notice has not been given. Again, here too the moving of an amendment to such a resolution will not be competent unless the Chair agrees to it. That certainly in my opinion is most

monstrous. If the Executive Committee places in the hands of the representatives a resolution, of which the member-bodies had no previous notice, is it any reason why any representative present here who wants to move an amendment should not be allowed to do so, if the amendment is competent. I submit that very wide powers are being conferred upon the Chair, and jealous as I am of the rights and privileges of the House, I should certainly object to such powers being conferred upon the Chair alone. But the point I point I have raised is most fundamental. Byelaws generally cover matters of internal management I can very well understand byelaws being framed by the Executive Committee for the transaction of the business of the committee, but when byelaws go beyond that, then I consider that the bylaws should form part of our rules and regulations so that it will be competent for the representatives or for the member-bodies to have the byelaws altered as they please. As it is, what is the position? The position is, that the byelaws do not form part of our rules and regulations, and the representatives present here or the member-bodies will not be entitled to alter those byelaws if they wish to do so. In other words, the byelaws not being subject to the same power of amendment as our rules and regulations, they will stand for all time to come, unless the Executive Committee for some reason or other chooses to bring them before the general body for alteration or confirmation. That, Sir, is the fundamental issue which I propose to raise. Under the rules, the byelaws are not subject to alteration at the hands of the member-bodies. They are not, I will show you the rules. Rule 24: It is only when the Executive Committee wants to make certain alterations in the byelaws that they are to be submitted to the general body for confirmation. Whereas in the case of our rules it is the inherent right of any member-body to move for an amendment of these rules provided the member-body proceeds in the manner laid down in the rules and in as much as the byelaws do not form part of the rules it may not be competent for any member-body to suggest any alteration in the byelaws, that is to say, the byelaws are taken out of the ordinary power of the House to amend them and I submit that it is a fundamental issue which the Executive Committee ought to consider.

Mr. Ratilal Mulji Gandhi (Seeds Traders Association & Grain Merchants Association, Bombay): It was my desire to propose certain amendments to the resolutions that have been placed on the

agenda and yesterday I was going to pass on to you the suggestions I had a mind to make. I was, however, given to understand by the Secretary that under the present rules and regulations, I would not be allowed by the Chair to move any amendments. If as you have stated you would be placing all these rules and regulations en bloc how would it be possible for the representatives to criticise or offer remarks on the various rules and regulations? There may be differences of opinion or there may be errors, and mistakes may be detected. For example, if you have determined not even to allow to suggest any change and if you will place all these amendments en bloc, the mistakes that I have detected will go uncorrected. I would not raise a point of order and ask for a ruling but would place this proposition before you. If the House agrees to the suggestions I have made, then these suggestions may be incorporated. I think they would be of advantage to the whole House and prove helpful in considering the rules and regulations that we are framing. Therefore putting aside the constitutional aspect of this question, I would simply request you to allow me to put a few suggestions which I want to put before the House. I think a copy of my suggestions is before you.

Mr. Begraj Gupta (Marwari Chamber of Commerce, Bombay) spoke in Hindi.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay): I want to make a pretty long speech but before I do that I should like to know under what rule you have ruled that amendments to the proposed rules cannot be accepted by you. If you are relying on rule 26, that is not a safe rule to rely upon. I think I must address you a few preliminary remarks and tell you that rules of any body and particularly a body like this must be a matter of very close scrutiny and vigilance to every one of us. It is a question of the rights of every member-body and the representatives sent by the member-bodies. The difficulties we have been having during the last 48 hours are really the creation of the nebulous, very vague and unspecific rules under which the Federation has been hitherto working. I very strongly object to the procedure under which no amendment can be accepted. The question of protecting the rights of minorities is a question which is practically given statutory recognition in this country and though our Chairman has been year in and year out urging the acceptance of this very commonplace fact, I really cannot reconcile his public attitude on this matter

with his private attitute in regard to this Federation. The Chairman ought to be the guardian and protector of the rights of minorities, particularly when the minorities are small and insignificant. I hope rules will be so framed that we will not be compelled to repeat our performances of yesterday. As a matter of fact, the Chairman is driving the minority desperate because he refuses to give the minority a hearing.

Proceeding to deal with the more serious aspect of this, if you adopt the attitude which you threatened to adopt, I just want the House to consider to what length of absurdity an irresponsible Executive Committee can go. I use these words advisedly. I am going to prove every word of what I say. You can see this in the proposed amendment which stands last to the following effect: "for the election of office bearers only such representatives of the ordinary members shall be entitled to stand for election to the committee as are actively engaged in trade, commerce or industry." Now, I have referred to every possible dictionary. I do not know what the Executive Committee mean by active engagement in trade, commerce or industry. I would ask the House to give an authoritative interpretation as to the proposed rule. I find that our great legislator Mr. B. Das is a member of the Executive Committee and I find that Mr. B. Das will also be a member of the future committee.

Mr. B. Das: I did not ask you for your vote.

Mr. Shroff: I did not suggest that you were canvassing. Now, I shall explain how this can go to the length of absurdity. Mr. H. P. Mody is a brilliant lawyer and President of the Bombay Mill Owners Association. Under this rule he shall be permanently disqualified from being nominated a member of the Executive Committee of this federation which seeks to represent trade, commerce and industry, thereby perhaps implying that the cotton textile industry of Bombay is not an industry. That is not all. You will have to start making distinctions as to what is trade, what is commerce and what is industry. If I am disqualified to-day as an exchange broker, not actively engaged in trade or commerce or industry, I will only have to open a pan shop to convince the Executive Committee that I am qualified for membership. Just carry it a little further. Take building contractors whom I can describe as merely glorified bricklayers. They would be given prominence and precedence over people like Mr. Mody. That is not right. We

have a novel tribe of people in Bombay. Now, take a man who is a professional director of joint stock companies in Bombay. I do not know what pronouncement the Executive Cmmittee will make. Suppose a man is a director of 50 joint stock companies. Will that be considered as sufficient qualification entitling him under the proposed amendment to be a member of the Executive Committee because he is actively engaged in trade, commerce and industry? I should like to have a very authentic interpretation from the Chairman as to what is meant by this active engagement in trade, commerce and industry. There is something very sinister, I am forced to say, in this proposed amendment and according to my usual want, I want to blurt out what I feel about it. Why I ask was the Executive Committee at this stage of its existence driven to think of an amendment of this character? Why, I ask. Does the Executive Committee realize that the various member-bodies affiliated to this Federation do not, in their rules for membership, insist on such an absurd provision? Do they realize, for instance, that in my constituency, the Indian Merchants' Chamber, not only any body who is not actively engaged in trade, commerce and industry but anybody who takes any interest in trade and commerce is entitled to and eligible for membership? If that is the case, the more logical course for the Federation to take is to ask the member-bodies to change their rules for membership, because particular member-bodies cannot be asked to make a distinction as to whether such and such a person according to the interpretation put by the Executive Committee is actively engaged in trade, commerce and industry. I guarantee that if five or six bodies make up their mind, they will reduce this Federation to an absurd fiasco next year by appointing panwallas and biriwallas as representatives of these bodies who will be nominated to work on the Executive Committees of the Central body representing Indian commercial interests. Well, this amendment shows, Mr. President, the absolute necessity of your accepting amendments to the proposed amendments so that the House may be given a full opportunity of voicing its views regarding the enactment of the future rules which will so vitally affect the rights of everybody connected with this Federation.

I would now draw attention to another rule. "The immediate outgoing President shall be an ex-officio member of the Committee and shall not offer for election for that year." My observation should not be taken to have any personal reference at all. I am

sure Mr. Walchand is influential enough at any time of the history of the Federation to get elected to the Committee. I mean no reflection but what I say is this that in these democratic times, when you want everybody to justify his position in life, when you want every member of the Executive Committee to have won the confidence of the body whose representative he poses himself to be, I cannot understand this proposed amendment, particularly when the general body may have found that the outgoing President was the one who did not enjoy the confidence of the general body. Is the outgoing President who has ceased to enjoy such confidence to be rewarded by being given a fresh lease of life, and is it in accord with the spirit of the democratic times in which we are living? I submit that rules like this ought to be very closely scrutinised before they come on the statute-book of this Federation. There is another rule to which I would like to draw the attention of the House. After rule 5 something is proposed to be added. We are living in days when we are unfortunately getting used to the idea of safeguards and if in any place, at any time the need for safeguards could be justified, I think the safeguard to be adopted in this rule does not need any justification at all. When you seek to expel any member from this Federation under the conditions described above, at least let us be true to our principles and to our understanding of the word "safeguards" and say definitely that the representatives of a certain minimum number of bodies shall have voted on that resolution. It is a very big and tall order to expel a member-body from the Federation. I do not think action of this character would ever arise because it is more likely to lead to the disruption of this whole Federation, but at a time when we are thinking or contemplating such a possibility at all, let us put an additional safeguard into it so that trouble may not be experienced in future. There is another small thing to which I wish to draw the attention of the House. That is 7 (a). I do not know whether the Executive Committee really considered the implications of what they proposed.

Mr. B. Das: May I ask Mr. Shroff a question? Will he kindly let us know whether your own Chamber suggested an amendment to these bye-laws?

Mr. Shroff: If Mr. President will allow me, I will read the whole thing if you and the House will have the patience.

President: I thought Mr. Das's question was, "what has the Indian Merchants' Chamber replied to the Federation in connection with these bye-laws which were circulated to them?"

Mr. Shroff: My point is this, that member-bodies should not be expected to send in criticisms of all this. We are not sent here as puppets; we are sent here to voice the opinions and feelings of our member-bodies. Though we do not carry specific mandates on every particular question discussed here in the Federation, it is left to our common sense to raise such issues and to criticise in such manner as we consider best whatever subjects come up before us. It would be impossible to work, Sir, if the Federation expects that we should function merely as a post office or as puppets and you should receive the criticisms and views and everything from the member-bodies direct. If so, then why not conduct the whole thing by correspondence?

Mr. A. L. Ojha: In connection with what Mr. Shroff said, namely that the representatives do not come here as puppets and so on, I do not think anybody can question that but in connection with a question like this I think this was circulated and the member-bodies were asked to give their opinion. . . . .

Mr. Shroff: Mr. Das raised the question of the opinion of the member-bodies. He was referring to the last draft. What you are referring to is the circulation of the proposed amendments, some months ago on which the Indian Merchants' Chamber did not fail in its duty to convey its views to the Executive Committee. . . . .

A Delegate: Mr. President, though our proposals have not been sent in by the member-bodies and they have given us no clear mandate, when you can propose and reject any of the bye-laws, it is our power here also that if you put in any amendment or bye-law which is not acceptable to this House, we can reject it and that power is there and we can reject the whole of the bye-laws. . . .

At this stage some delegates rose to speak.

President: Let Mr. Shroff now proceed.

Mr. Shroff: I am referring to the following clause as an additional clause 7 (c). It is something very small but I do ask whether it did not strike the Executive Committee as to the implications of this. "Each such representative shall have to pay Rs. 20

as delegate's fees along with his nomination." What is the real implication of this, "along with his nomination"? What I am looking at is the question of actual practice and convenience. There is a lot to be said on the other rules and bye-laws. What I submit is this that if you are agreeable, appoint a small sub-committee. There is no immediate hurry about the change of these rules and I think, come to the general body, with something which is more logical and which makes a better appeal to us.

*Mr. Jagmohandas J. Kapadia (Native Share & Stock Brokers' Association, Bombay): Sir, the point has been made in the discussions here that these bye-laws were submitted to member-bodies and their suggestions were invited. I find from the preamble to Appendix X that when the bye-laws were in the stage of a draft, they were circulated to member-bodies and their suggestions were invited. We do not know what suggestions the 23 member-bodies have made and we do not know whether among those suggestions were the suggestions and objections which my friend, Mr. Shroff, has dealt with. If out of the 23 member-bodies who have made their suggestions, an "X" member-body has suggested that the power to expel a member which is being brought into operation is one which ought not to be brought into operation, is it not fair that an amendment should be allowed on that point? We have not before us the suggestions of the member-bodies. The procedure adopted by the sub-committee is this. A draft is prepared. It is circulated among member-bodies. Twenty-three member-bodies send in their suggestions. The sub-committee considers the suggestions and the Executive Committee, in view of the suggestions made, prepares certain bye-laws and then they submit the bye-laws and alterations to the House for consideration. That being so, I submit that it is the inherent right of the representatives present here to move such amendments as they like to the alterations and the bye-laws and therefore it is not right to say that, we having circulated the bye-laws and alterations and you, not having sent in suggestions thereon, shall not be entitled to move any amendment.

At this stage some delegates rose to speak.

President: We have had five or six gentlemen who have spoken in regard to the point that has been raised. . . . .

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* Not corrected.

A delegate: In regard to the point that has been raised by you in the beginning and as it has been stated by Mr. Das that these rules and regulations and bye-laws have been circulated to member-bodies, that may be so, but here is the question of the constitution and it is a technical question. Now the representatives may not have been appointed when these bye-laws were circulated to member-bodies. The representatives were appointed and nominated by the various bodies only 8 or 10 or 15 days ago and when the representatives might have received this agenda, they might have tried to study all these things and after a few days they might have detected certain errors and thereafter they can only put forward suggestions before the meeting. So this is a question of the constitution and this is the explanation with regard to a technical point about the circulation of these suggestions and not sending replies to the respective member-bodies.

Mr. H. P. Bagaria: Mr. President, I find I am in the unfortunate position that when these rules were submitted to my Association I did not take the trouble of going through them, but now that I have read them I find there are many objectionable things and I cannot vote for them. Therefore I would suggest that as there is such a difference of opinion on this question and it is a vital question, there is no harm in postponing the consideration of this. In the meantime the member-bodies might submit any suggestions they may have to make. Then they may be considered again.

Mr. R. K. Sidhwa (Karachi Indian Merchants Association): On this issue, Sir, our own Association and also the Indian Merchants' Association have been addressing you for a number of years on the question of amendments being allowed by a member at the annual general meeting. Mr. Shroff has just now raised the issue and Mr. Das has referred to that and another member-body has also raised the issue. I would like to point out that our Association addressed a letter to you on the 23rd December, 1931 on this subject. I would for the information and the benefit of the House read, Mr. Chairman—if you will just remember that this is a very important matter and if you will kindly pay more attention to it—a portion of that letter. What I was stating is this that our Association has already addressed a letter on this matter and I would like to know what is the decision that the Executive Committee

has taken on it. For the benefit of the House I will read that letter. It is dated the 23rd December.

> "With regard to rule 11 and bye-law 6 my Committee suggest the the following conditions. If a member-body has after receipt of the agenda written to the Federation insisting upon the consideration of a Resolution already sent by the member-body and rejected by those responsible for drawing up the official programme of the business, the same shall be allowed to be considered at the meeting of the Federation after the conclusion of the official business provided one-third of the members present at the Annual Meeting vote in favour of its consideration."

This was the suggestion put by our Association and it was amplified by the following remarks which have been submitted to you, and they are these :

> "In connection with the last suggestion my Committee wish to point out that several member-bodies are not represented on the Executive Committee of the Federation who is responsible for the drawing up of the agenda. It is therefore likely that the object and purpose underlying the rejected Resolutions, however important from the point of view of the mover, may be lost sight of by the Executive Committee. My Committee would therefore urge that the right of of a member of ventilating a public grievance or of expressing views on a matter concerning the general welfare for the trade should be respected, and with that view it be provided that if a member-body insists on a particular Resolution sent by it which has been rejected for being put on the agenda, such Resolution be taken up in the Annual Meeting if a fair number of the members present are in favour of its consideration."

I should like to know what your committee has done in this matter before I say anything further on this issue.

President : I should like first Sir Purshotamdas to address a few words. We will then revert to the subject if necessary.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber, Bombay) : Sir in the speeches which have been made on this subject it would appear that there is a feeling in the minds of at least some who addressed the House that the Executive Committee consists of persons,—at any rate the Executive Committee which has put forward these,—of persons who have conspired to take away the liberties of the delegates present at this function. The frankest and perhaps the most straightforward statement was made by Mr. Bagaria when he confessed that his body did not give any attention to this

until perhaps his own attention was drawn to it here. Sir, this matter has been before the Executive Committee of the Federation for two years and a little over. I may tell you that the Executive Committee two years back immediately after an annual session appointed a sub-committee from amongst itself to go into the various amendments which struck them, which may have been indicated, and which they could gather from other members. Those two members of the Executive Committee were Mr. D. P. Khaitan and Mr. Master. I think, Sir, I can say that the sub-committee had very little communication with any of the Presidents of the two years. Mr. Khaitan has vast knowledge of such associations and such institutions and Mr. Master is a person who had taken part in previous years regarding the safeguarding and the vindication of the rights of members-bodies. They prepared their report ; that was sent out to the member-bodies and the member-bodies were asked to express their opinions. Those opinions after they were received from the member-bodies were again gone into by the Executive Committee, perhaps at more meetings than one and certainly for more than two or three hours at each meeting.

Mr. Sidhwa : What was the result ?

Sir Purshotamdas : The result is what is in your hands. After that the Executive Committee prepared the draft. The draft was sent out to the member-bodies with the agenda and the member-bodies were informed that if they had any suggestions to make, any amendments to propose, anything further to say, they might inform the office before a certain day. Now, Sir, as you yourself said, or some one said here in the course of the discussion yesterday, this Federation is a Federation not of individuals but of bodies. The bodies range from the southern-most point to the northernmost point and the east to the west. The requirements, the outlook and the desires of all these bodies coming from various parts of India are not identical ; and whilst it may be that the delegates when they come here, some of them may think alike, if this Federation has to work,—and I am speaking now with the utmost earnestness,—it can only work on the opinions expressed by the member-bodies, and with all due deference I may say that it cannot work on the opinions expressed here by the delegates when their member-bodies are asked to intimate their views in writing beforehand.

Mr. Shroff : Are you referring to the Indian Merchants' Chamber ?

Sir Purshotamdas Thakurdas: Not a bit. I am referring to everybody. I therefore feel that in putting forward these amendment as they have been put forward, members present here should give credit for the fullest bona-fides of the two committees for the past two years that they did not influence these two members, Mr. Khaitan and Mr. Master, in any way whatsoever, that they communicated the results of their labours to the member-bodies as soon as those reports were available, and after having considered what was communicated to the Executive Committee as desired by each member-body, they again exercised their discretion and said, "We will embody this ; we may not embody this." The final draft was sent out to the member-bodies again in good time. I have not heard a single remark that the time allowed for it was short. If, however, Sir, there is a feeling that the member-bodies have not given that attention to this matter as some persons present here feel they should have, no one quarrels with them.

Mr. Shroff: May I know when these final rules were sent out to the member-bodies?

President: Will the Secretary please say?

Secretary: The agenda was sent to all the member-odies as well as to the representatives of the member-bodies on the 25th March 1933 under certificate of posting.

Sir Purshotamdas Thakurdas: Sir, these were sent out in accordance with the requirements of our existing bye-laws. It is quite conceivable that you want longer notice. It is quite conceivable that you do not think that that notice has been adequate for the purpose of giving that consideration to these bye-laws which you require. Then the whole question is, do not consider these today. Let these be considered again by the member-bodies and let them write in again their views as per various amendments which have been submitted to you, Sir, and let us consider after that. But what I feel is that after the labours of our friends Mr. Khaitan and Mr. Master, labours which have been undertaken in the best interests of the Federation as they conceived them,—and I do not know of more respected members of this Federation,—to think that something is atrocious and something is bad, that is something which could not have been meant by the members who made those insinuations. There is no hurry about it. You are dealing with 45 bodies spread over the length and breadth of India. These things must

take time. It has taken two years. You want one year more, by all means have it. It is your property and there is no question of rushing anybody about it, and I have not heard the President say yet that he wants these rules to be considered and passed today. All the President has done is to put the matter on the agenda for your consideration. I therefore very earnestly appeal to members here not to be carried away by any sort of ideas that anybody here either in the Executive Committee or the President or the Vice-President is anxious to take away a single right which anybody may think is the cherished right of a particular body.

One word more and I have done. The President and the Vice-President of today are not to be the President and Vice-President for ever. The members of the Executive Committee of today have no lien on it and can only be there so long as members choose to elect them. Therefore the vindication of the rights of the member-bodies is the anxiety as much of my friends who have spoken as of those who have had the good fortune or the bad fortune to be on the Executive Committee for the past two years. I do therefore feel that if Mr. Bagaria will move that, Sir, you might very usefully take the sense of the House and adjourn further consideration of it on the clear understanding that all that the Executive Committee can do is to write to the various member-bodies and say that this was adjourned in order that their views will be ascertained again, and although, Mr. President, you will not be in the Chair next year, I am sure Mr. Nalini Ranjan Sarker the incoming President will give the fullest weight to all that has been said here.

President: We have dealt with it for a long time. It seems that what the House wants the House will get.

Mr. H. P. Bagaria: I move:

"That the consideration of the question of revising the constitution of the Federation be postponed to the next Annual Meeting."

Mr. Santanam: I have to make a suggestion. You might postpone it with the request that when the member-bodies send suggestions of amendments they may be distributed to all the member-bodies also so that they might consider them. So when these amendments are received they may be circulated and the member-bodies will be in a better position to consider them.

Mr. P. S. Sodhbans: I want to say one thing not as a member of the Executive Committee but as a representative of the Indian Chamber of Commerce, Lahore. These rules were considered by my Committee and they authorised me to move certain amendments only with the idea that amendments are generally moved in the House. Although I said that these rules have been considered by the Executive Committee, they told me distinctly as a representative of the Indian Chamber of Commerce to move the amendment, and so I had to move certain amendments.

The resolution of Mr. Bagaria was carried unanimously.

President: Before going to the next item, No. 4, I ought to mention one small point: the Karachi Indian Merchants' Association had written about a resolution on the Karachi-Bombay broad gauge railway. In the subsequent revision it was dropped. The desire of their representative seems to be that this resolution should be brought to the notice of this House, in view of the latest development that has taken place: there seems to be every chance of that construction being taken in hand by the government. That is the reason why this resolution was not placed on the agenda paper.

Mr. R. K. Sidhva: I would request you to urge the Commerce Member that the further survey of this matter should not be delayed unnecessarily: it has already been fully surveyed and it should be expedited.

President: You would like the Federation office to write?

Mr. R. K. Sidhva: Yes.

President: I now put the item No. 4, adoption of the annual report, to the vote of the House.

Mr. J. J. Kapadia: On a point of information, Sir, I understand this is the report of the proceedings of the Executive Committee: I find an item with regard to 'foreign capital'. May I know whether it was a statement made at the request of the Committee by you or whether it was made by you on your own behalf? If it was made before consulting the Committee I submit it should not go into the report.

President: Statements on important questions like these, it has been the practice to make and subsequently to report them to the Executive Committee where they are confirmed.

Mr. J. J. Kapadia: If it is confirmed I have no objection.

Mr. G. L. Mehta: As regards the report submitted by the representatives of the Federation at the Round Table Conference is it proposed to issue a statement after the Act is enacted by the Parliament?

President: The question was discussed and the minutes circulated to member-bodies. This did not happen during the year 1932, for which year this is the report.

Mr. A. C. Khosla: Has the Federation appointed any representative for countries other than Germany?

President: No.

Mr. A. C. Khosla: Can we not dispense with this representative also when we have not got money?

President: When the time comes for renewal it will be again brought before the Committee. It was agreed last year that this should be renewed for two years more at the discretion of the Committee.

ANNUAL REPORT & STATEMENT OF ACCOUNTS.

"That the Report of the Proceedings of the Executive Committee for the year 1932 and the Statement of Accounts duly audited be adopted."

Carried unanimously.

ELECTION OF OFFICE-BEARERS FOR THE YEAR 1933-34.

President: Item No. 5: the result of the election is as follows: The names of the first twelve successful candidates are:

Mr. Walchand Hirachand
Mr. G. D. Birla
Lala Shri Ram
Sir Purshotamdas Thakurdas
Sheth Kasturbhai Lalbhai
Mr. Chunilal B. Mehta
Mr. Amrit Lal Ojha
Mr. B. Das
Mr. Ebrahim G. Currimbhoy

Mr. P. S. Sodhbans
Lala Padampat Singhania
Mr. S. S. Gangla.

The President has been elected uncontested—Mr. Nalini Ranjan Sarker (applause) and the same is the case with the Honorary Treasurers—Messrs. D. P. Khaitan and R. L. Nopany.

Mr. R. K. Sidhwa: I would like to make a statement on a subject making the position of some of us who did not participate in the election yesterday, and I have been authorised. . . . .

President: I am sorry I cannot allow a statement to be read on events or whatever that has happened yesterday or any other day in the House. I am sorry I cannot allow it.

Mr. A. D. Shroff: The House is entitled to know the scrutineers' report.

Secretary: The Report of the Scrutineers reads thus:

"On opening the Ballot Box we found 55 voting papers, all in order. The result of the scrutiny is given below in order of the number of votes secured by the candidates.

The names of the first twelve successful candidates are:

1.	Mr. Walchand Hirachand	54 votes.
2.	Mr. G. D. Birla	53 ,,
3.	Lala Shri Ram	52 ,,
4.	Sir Purshotamdas Thakurdas	52 ,,
5.	Sheth Kasturbhai Lalbhai	48 ,,
6.	Mr. Chunilal B. Mehta	48 ,,
7.	Mr. Amrit Lal Ojha	45 ,,
8.	Mr. B. Das	43 ,,
9.	Mr. Ebrahim G. Currimbhoy	41 ,,
10.	Mr. P. S. Sodhbans	37 ,,
11.	Lala Padampat Singhania	32 ,,
12.	Mr. S. S. Gangla	30 ,, ,,

ELECTION OF HONY. AUDITORS.

President: It is proposed:

"That Messrs. Roy & Roy, Calcutta, be appointed the Hony. Auditors of the Federation for the year 1933."

Carried unanimously.

VOTE OF THANKS TO THE PRESIDENT.

"That this meeting of the Federation records its warm appreciation of the services rendered to the Federation by its retiring President, Mr. Walchand Hirachand, and for his able administration of the affairs during his period of office."

Mr. N. R. Sarker (Bengal National Chamber of Commerce, Calcutta): On behalf of the Federation it is my pleasant duty to move a vote of thanks to our outgoing President, Mr. Walchand Hirachand for the able manner in which he has piloted the ship of the Federation during the most troublesome year of economic stress and political unsettlement which India has ever seen. I hope the members will bear me out when I say that your stewardship of the Federation, Mr. President, has been marked with great success and your contribution to it is not a small one. You have been one of the founders and promoters of the Federation and you have not spared any pains to serve it and make it successful in every way.

I take this opportunity of expressing my gratefulness to you all for having done me the honour of electing me your President for the coming session. Believe me, these are not conventional or formal words. I am sincerely grateful to you. The Presidentship of the Federation is the highest honour to which an Indian businessman can aspire. And I take it that the honour is not done to me personally but to the province also to which I belong. Gentlemen, while I am thankful to you all for the honour done to me, I am also aware of the heavy responsibility which it will devolve on me as your President. Gentlemen, I am conscious of my limitations, but if sincerity of purpose and single minded devotion to a cause help me to serve well, I can assure you that I shall endeavour my best to serve you well. It is with your help and co-operation that I shall try and discharge the duties that will devolve on me as your President. (Applause).

Lala Padampat Singhania (Indian Sugar Mills Association and Merchants' Chamber of U. P.): I beg to second the Resolution so ably moved by Mr. Sarker.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay): I very gladly associate myself with this Resolution, but I must say one word. I think for the better working and for the more harmonious co-operation of all the elements that constitute this great

body, I am bound to suggest that future Presidents will take a lesson out of the proceedings of this Federation and will appreciate that the greatest good of the greatest number is a principle which is as true of this session of this Federation as it is outside this hall. They will also take a lesson that the greatest strength of the Chair in any body lies in the carrying the greatest number of the House with him. If that be the guiding star of the future presidents of the Federation, I am sure this Federation will evolve itself into a great examplary body, a body which will establish traditions for itself, and which may well be emulated by bodies outside.

Mr. Begraj Gupta supported the Resolution and spoke in Hindi.

Mr. Sarker: The Resolution has been moved, seconded and supported and I request you to pass it will acclamation.

The resolution was passed unanimously with acclamation.

Mr. Walchand Hirachand: I have to thank you, gentlemen, for the kind words in which you have passed this Resolution. It would not have been possible for me but for your wholehearted co-operation to conduct the affairs of the Federation, which is an all-India body, in the way in which I have been able to do.

Now, before we conclude, we have to thank the scrutineers (Mr. J. N. Sen Gupta, Secretary, Bengal National Chamber of Commerce, Calcutta and Mr. A. H. Maru, Actg. Secretary, Indian Merchants' Chamber, Bombay) for the work they have done for us. We have also to thank the Delhi University authorities for allowing us to use these premises for conducting our deliberations.

Before I bring the proceedings to a close, I should like to make a short announcement that the meeting of the new Executive Committee will be held in the next room within five minutes.

The proceedings of the Sixth Annual Session of the Federation then came to a close.

APPENDIX "A"

LIST OF MEMBER-BODIES OF THE FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY WITH THEIR REPRESENTATIVES.

Names of Members.	Names of Representatives.
1. The Ahmedabad Millowners' Association, Ahmedabad.	1. Sheth Kasturbhai Lalbhai. 2. Sheth Maneklal Mansukhbhai. 3. Sheth Nanddas Haridas. 4. Sheth Thakorelal C. Munshaw.
2. The Baroda Millowners' Association, Baroda.	1. Raj Ratna Sheth Chimanlal Girdharlal Zaverchand Laxmichand. 2. Sheth Trikamlal Girdharlal. 3. Sheth Shantilal G. Parikh. 4. Sheth Anandlal Hiralal.
3. Bihar & Orissa Chamber of Commerce, Patna.	1. Babu Kedar Nath Goenka. 2. Mr. B. Das, M.L.A. 3. Babu Balkrishna Das. 4. Rao Bahadur D. D. Thacker.
4. Bengal National Chamber of Commerce, Calcutta.	1. Mr. Nalini Ranjan Sarker. 2. Sir Hari Shankar Paul, K.T. 3. Mr. S. C. Majumdar. 4. Mr. P. C. Coomar.
5. Bengal Jute Dealers' Association, Calcutta.	1. 2. 3. 4.
6. Bombay Bullion Exchange, Ltd., Bombay.	1. Mr. Chunilal Bhaichand Mehta. 2. Mr. Laxmandas Harakhchand Daga. 3. 4.

Names of Members.	Names of Representatives.
7. Bombay Shroff Association, Bombay.	1. Mr. Kalyandas Bhaidas Shroff. 2. Mr. Mohanlal Ambalal Parikh, B.A. 3. Mr. Kantilal Maganlal Zaveri. 4. Mr. Mangulal Trikamlal.
8. Burma Indian Chamber of Commerce, Rangoon.	1. Mr. Ranchhordas H. Gandhi. 2. 3. 4.
9. Buyers & Shippers Chamber, Karachi.	1. Mr. Jamshed Nusserwanji. 2. Mr. B. L. Thakore. 3. Mr. Manoobhai Doongarsay. 4. Rao Bahadur Shivrattan Mohotta.
10. Deccan Merchants' Association, Bombay.	1. Mr. S. V. Lalit. 2. Mr. P. M. Bhagwat, B.A., LL.B. 3. Mr. S. R. Sardesai. 4. Mr. S. S. Gangla.
11. Delhi Hindustani Mercantile Association, Delhi.	1. Lala Ram Pershad. 2. Seth Lachmi Narain Gadodia. 3. Mr. A. C. Khosla. 4. Seth Ghansham Dass.
12. Delhi Factory Owners' Federation, Delhi.	1. Lala Shri Ram. 2. Sardar Bahadur Sardar Sobha Singh. 3. Mr. Raj Bans Bahadur. 4. Mr. M. G. Bhagat.
13. East India Jute Association Ltd., Calcutta.	1. Mr. Hanumanprasad Bagaria. 2. Mr. P. R. Shrinivas. 3. Mr. C. S. Rangaswami. 4.
14. Grain Merchants' Association, Bombay.	1. Mr. Ratilal Mulji Gandhi. 2. Mr. Nandlal Kilachand. 3. Mr. Haridas Velji. 4. Mr. Lakhamsey Ghellabhai.

Names of Members.	Names of Representatives.
15. Gwalior Chamber of Commerce, Lashkar, Gwalior.	1. Mr. J. P. Jhala. 2. Lala Ramjidas Vaishya. 3. 4.
16. Indian Chamber of Commerce, Calcutta.	1. Mr. A. L. Ojha. 2. Mr. G. D. Birla. 3. Mr. D. P. Khaitan. 4. Mr. G. L. Mehta.
17. Indian Chamber of Commerce, Coimbatore.	1. The Hon'ble Mr. R. K. Shanmukham Chetty, M.L.A. 2. Mr. P. S. G. Ganga Naidu. 3. Mr. V. Palaniswami Naidu. 4. Mr. B. A. Padmanabha Iyer.
18. Indian Chamber of Commerce, Lahore.	1. Lala Harkishen Lal, B.A., BAR-AT-LAW. 2. Mr. Sukhdev Lal Tuli. 3. Sardar Gurdial Singh Salariya, BAR-AT-LAW. 4. Lt. Sardar Prem Singh Sodhbans.
19. Indian Chamber of Commerce in Great Britain, London.	1. Mr. Fakirjee Cowasjee. 2. Mr. A. R. Siddiqi. 3. Mr. M. A. Master. 4. Mr. N. M. Muzumdar.
20. Indian Insurance Companies Association, Bombay.	1. Mr. J. C. Setalvad. 2. Mr. K. S. Ramchandra Iyer. 3. Mr. Vijaysinh Govindji. 4. Mr. B. K. Setalvad.
21. Indian Insurance Institute, Calcutta.	1. Mr. I. B. Sen. 2 Mr. G. Sanyal. 3. Mr. S. C. Roy. 4. Mr. Amalendu Sen.
22. Indian Life Assurance Offices' Asson., Bombay.	1. Pandit K. Santanam. 2. Mr. K. C. Desai. 3. Mr. S. B. Cardmaster. 4. Mr. Byramji Hormusji.

Names of Members.	Names of Representatives.
23. Indian Merchants' Association, Chittagong.	1. 2. 3. 4.
24. Indian Merchants' Chamber, Bombay.	1. Sheth Mathurdas Canji Matani. 2. Sir Purshotamdas Thakurdas, KT. 3. Mr. A. D. Shroff. 4. Mr. Ebrahim G. Currimbhoy.
25. Indian Mercantile Chamber of Ceylon, Colombo.	1. 2. 3. 4.
26. Indian Mining Federation, Calcutta.	1. 2. 3. 4.
27. Indian National Steamship Owners' Association, Bombay.	1. Mr. M. A. Master. 2. Mr. Shariff Hassam. 3. Mr. Abdul Bari Chaudhury. 4. Mr. Jamnadas M. Mehta.
28. Indian Produce Association, Calcutta.	1. Babu Rameshwar Lal Nopany. 2. Babu Shriniwas Poddar. 3. Pandit Sarju Prasad Sharma. 4.
29. Indian Salt Association, Bombay.	1. Mr. Hooseinbhoy A. Lalljee. 2. Mr. Kapilram H. Vakil. 3. Mr. Jamshed N. R. Mehta. 4. Mr. J. F. Kotewal.
30. Indian Sugar Mills Association, Calcutta.	1. Lala Padampat Singhania. 2. Sardar Kripal Singh. 3. Lala D. R. Narang. 4. Lala Jaswantrai Churamani.
31. Indian Tea Planters' Association, Jalpaiguri.	1. Mr. Nalini Ranjan Ghose. 2. 3. 4.

Names of Members.	Names of Representatives.
32. Jute Balers' Association, Calcutta.	1. Sjt. Harakhraj Lodha. 2. Sjt. Danchaud Chopra. 3. Sjt. Mohanlal Kathotia. 4. Sjt. S. G. Bararia.
33. Karachi Indian Merchants' Association, Karachi.	1. Mr. Soonderdas Dharamsey. 2. Sardar Partapsingh J. Sethi. 3. R. B. Shivrattan Mohotta. 4. Mr. R. K. Sidhwa.
34. Maharashtra Chamber of Commerce, Bombay.	1. Mr. Walchand Hirachand. 2. Mr. M. L. Dahanukar. 3. Mr. G. S. Marathey. 4. Mr. G. S. Mhaskar.
35. Marwari Association, Calcutta.	1. 2. 3. 4.
36. Marwari Chamber of Commerce, Bombay.	1. Raja Bahadur Govindlal Pittee. 2. Syt. Begraj Gupta. 3. Syt. Keshavdev Nevatia. 4. Syt. Sagarmal Loyalka.
37. Marwari Traders' Association, Calcutta.	1. 2. 3. 4.
38. Mysore Chamber of Commerce, Bangalore.	1. Mr. S. G. Sastry. 2. Mr. Devarao Shivaram. 3. Mr. M. V. Subbiah. 4. Mr. S. L. Mannaji Rao.
39. Native Share & Stock Brokers' Association, Bombay.	1. Mr. Jagmohan J. Kapadia. 2. 3. 4.
40. Nattukkottai Chettyars' Association, Rangoon.	1. 2. 3. 4.
41. Seeds Traders' Association, Bombay.	1. Mr. Ratilal Mulji Gandhi. 2. Mr. Chhotalal Kilachand. 3. Mr. Gordhandas Jamnadas. 4. Mr. Nandlal M. Bhuta.

Names of Members.	Names of Representatives.
42. Sholapur Merchants' Chamber, Sholapur. (Not functioning)	1. 2. 3. 4.
43. Southern India Chamber of Commerce, Madras.	1. Kumararajah M. A. Muthiah Chettiar. 2. Mr. V. K. Chetty. 3. Mr. V. Ramdas Pantulu. 4. Mr. S. M. Choudhri.
44. Southern India Skin and Hide Merchants' Association, Madras.	1. Mr. M. Jamal Mahomed Sahib, M.L.A. 2. Mr. M. Mohamed Ismail. 3. Mr. Mohamed Musthan Sheriff Saib. 4. Rao Saheb T. S. Kachapikesa Mudaliar.
45. Southern India Textile Association, Coimbatore.	1. Mr. B. A. Padmanabha Iyer. 2. Mr. P. S. Sathappa Chettiar. 3. Mr. C. V. Venkataramana Iyengar. 4. Mr. K. N. C. Pattuck.
46. Telikanta Brokers' Association, Calcutta.	1. 2. 3. 4.
47. United Provinces Chamber of Commerce, Cawnpore.	1. L. Rameshwar Prasad Bagla, M.L.A. 2. Mr. I. D. Varshanie. 3. Mr. H. G. Misra. 4. Mr. Girdharlal.
48. Merchants' Chamber of United Provinces, Cawnpore.	1. Lala Padampat Singhania. 2. Mr. Gur Prasad Kapoor. 3. Mr. Ram Ratan Gupta. 4. Mr. Jang Bahadur Mohrotra.
49. Godavari Chamber of Commerce, Coconada.	1. Mr. B'Givinda Rao. 2. Mr. Chittoory Rangiah. 3. Mr. M. R. Pantulu.

Ex-Officio Representatives.

1. Sir Chunilal V. Mehta, K.C.S.I., Bombay.
2. Mr. J. C. Ghose, Jalpaiguri.

APPENDIX "B"

OFFICE-BEARERS FOR THE YEAR 1933-34.

President

Mr. Nalini Ranjan Sarker.

Vice-President

Sheth Kasturbhai Lalbhai.

Members of the Executive Committee

1. Sheth Walchand Hirachand (Maharashtra Chamber of Commerce, Bombay.)
2. Mr. G. D. Birla, (Indian Chamber of Commerce, Calcutta.)
3. Lala Shri Ram, (Delhi Factory Owners Federation, Delhi.)
4. Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E., (Indian Merchants' Chamber, Bombay.)
5. Mr. Chunilal B. Mehta, (Bombay Bullion Exchange, Bombay.)
6. Mr. Amrit Lal Ojha, (Indian Chamber of Commerce, Calcutta.)
7. Mr. B. Das, M.L.A. (Behar & Orissa Chamber of Commerce, Patna.)
8. Mr. Ebrahim G. Currimbhoy (Indian Merchants' Chamber, Bombay.)
9. Mr. P. S. Sodhbans, (Indian Chamber of Commerce, Lahore.)
10. Lala Padampat Singhania, (Indian Sugar Mills Association Calcutta, and the Merchants Chamber of United Provinces, Cawnpore.)
11. Mr. S. S. Gangla, (Deccan Merchants' Association, Bombay.)

Hony. Treasurers

1. Mr. D. P. Khaitan, (Indian Chamber of Commerce, Calcutta.)
2. Mr. R. L. Nopany, (Indian Produce Association, Calcutta.)

Co-opted Members

1. Raj Ratna Sheth Chimanlal Girdharlal, Baroda.
2. Kumar-Raja M. A. Muthiah Chettiar, Madras.
3. Rao Bahadur Shivrattan Mohotta, Karachi.
4. Sheth Mathuradas Vissonjee, Bombay.
5. Mr. A. D. Shroff, Bombay.

Secretary

Mr. D. G. Mulherkar.

Office Address: 20, Strand Road, CALCUTTA.

Telegraphic Address: "Unicomind", Calcutta.

6 JUNE 1934

Federation of Indian Chambers of Commerce and Industry

PROCEEDINGS

OF THE

SEVENTH ANNUAL MEETING

HELD AT

DELHI

on the 31*st March and* 1*st April,* 1934.

1934

BOMBAY BRANCH
OF THE
ROYAL ASIATIC SOCIETY
TOWN HALL, BOMBAY.

With compliments of the Secretary.

Federation of Indian Chambers of Commerce and Industry

PROCEEDINGS

OF THE

SEVENTH ANNUAL MEETING

HELD AT

DELHI

on the 31st March and 1st April, 1934.

1934

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FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY.

PROCEEDINGS OF THE SEVENTH ANNUAL MEETING HELD IN DELHI ON 31ST MARCH AND 1ST APRIL, 1934.

The Seventh Annual Meeting of the Federation was held in Delhi at the Old Assembly Hall, Alipore Road, on Saturday the 31st March, 1934, at 11 A.M. when the following representatives of the Member-Bodies were present :—

Mr. Nalini Ranjan Sarker, Seth Kasturbhai Lalbhai, Sir Purshotamdas Thakurdas, Kt.,C.I.E., M.B.E., Seth Walchand Hirachand, Mr. G. D. Birla, Lala Shri Ram, Lala Padampat Singhania, Seth Mathuradas Vissanji, Raj Ratna Seth Chimanlal Girdharlal, Rao Bahadur Shivrattan G. Mohatta, Pandit Vidyasagar Pandya, M.L.A., Mr. D. P. Khaitan, Mr. A. L. Ojha, Seth Haji Abdoola Haroon, M.L.A., Mr. B. Das, M.L.A., Mr. Chunilal B. Mehta, Rai Upendralal Ray Bahadur, Mr. A. D. Shroff, Mr. P. S. Sodhbans, Mr. Ganga Singh, M.L.C., Mr. Hoshang N. E. Dinshaw, Lala Baijnath Syal, Lala Ram Pershad, Mr. Lakshmi Narain Gadodia, Mr. H. P. Bagaria, Mr. Ratilal Mulji Gandhi, Lala Ramjidas Vaishya, Tajir-ul-Mulk, Wafadar Dawalat-i-Scindia, F.R.S.A., Mr. D. C. Muzumdar, Mr. G. L. Mehta, Sardar Gurdial Singh Salariya, Mr. J. C. Setalvad, Mr. K. C. Desai, Pandit K. Santanam, Mr. Manu Subedar, Lala Hari Raj Swarup, M.L.A., Lala Jaswantrai Churamani, Mr. M. L. Dahanukar, Mr. S. Bashir, Mr. J. J. Kapadia, Mr. B. A. Padmanabha Ayyar, Lala Rameswar Prasad Bagla, M.L.A., Mr. I. D. Varshanie, Mr. S. S. Gangla, Seth Narsibhai Lallubhai, Sheth Maganlal B. Patel, Sheth Thakorlal C. Munshaw, Sheth Chaturbhujdas Chimanlal, Sheth Anandlal Hiralal, Mr. N. N Rakshit, Mr. P. C. Coomar, Mr. B. C. Ghose, Sheth Mohanlal Ambalal Parikh, Sheth Sakalchand G. Shah, Mr. C. S. Patel, Mr. W. M. Muzumdar, Mr. Raj Bans Bahadur, Mr. Jwala Pershad Mandalia, Lala A. C. Khosla, Seth Ghansham Dass, Mr. J. L. Pandit, Mr. Nirmal Chandra Ghosh, Mr. Lakhamsey Ghelabhai, Mr. Mohanlal Bhikamdas, Mr. Pachubhai Mansie, Mr. P. D. Tambat, Mr. J. P. Jhala, Mr. S. L. Tuli, Mr. Amal Sen, Mr. S. Bagchi, Lt. N. M. Roy Choudhuri, Mr. K. Srinivasan, Mr. S. C.

Mazumdar, Mr. S. R Biswas, Mr. N. K. Taluqdar, Seth G. M. Mody, Lala Shankar Lal, Mr. J. N. Bose, Mr. Hemendra Nath Bose, Mr. Soonderdas Dharamsey, Mr. Srikishandas H. Lulla, Mr. R. K. Sidhwa, Mr. B. S. Dabke, Mr. Umashankar Dikshit, Babu Gur Prasad Kapoor, Mr. K. Shama Iyer, Mr. Amratlal Kalidas, Mr. Nandlal M. Bhuta, Mr. S. M. Choudhury, Mr. B. N. Chopra, Dr. S.C. Roy.*

Members of the Legislative Assembly and the Council of State were invited to be present at the Annual Session and among those who were present were :—

The Hon'ble Sir R. K. Shanmukham Chetty, K.C.I.E., President of the Legislative Assembly, Dr. Zia-ud-Din, M.L.A., Dewan Bahadur Harbilas Sarda, M.L.A., Mr. Ramsay Scott, M.L.A., Mr. F. E. James, M.L.A., Sir Darcy Lindsay, M.L.A., Mr. S. G. Jog, M.L.A.

Among other distinguished guests who were present were Mr. C. S. Rangaswami, Dr. P. P. Pillai, Director, Indian Branch of the International Labour Office, Mr. Arthur Moore and Mr. A. S. Iyyengar.

Amongst the Secretaries of the Member-Bodies were present Messrs. M. P. Gandhi, J. N. Sen Gupta, D. K. Sanyal, P. Raghavan Nair, D. V. Kelkar, C. V. Mody, A. C. Ramalingom, J. L. Joshi, G. N. Raval and Mr. D. G. Mulherkar.

The President, Mr. Nalini Ranjan Sarker, in opening the proceedings of the Seventh Annual Meeting, said :—

GENTLEMEN,

The Annual General Meeting of the Federation of Indian Chambers of Commerce and Industry is an event of great importance not merely to commercial India, but also to the country at large. As the foremost organisation of Indian businessmen it is but natural that it should strive to protect the interests of our trade and industry, remove impediments in the path of their progress and ensure their expansion. But that is not all. We have also a great responsibility towards the whole country, and we must seriously address ourselves to its problems and future development. The history of our activities

*List of Member-Bodies of the Federation and the representatives nominated is printed as an appendix A.

in the past bears ample testimony to the fact that we have been alive to this responsibility. The members have always been anxious to bring to the service of the country the knowledge, influence and experience they have gained in their varied fields of activity. Although political and economic conditions of late have not been propitious to our efforts, thereby preventing them from being as fruitful as they might have been, the needs of the country have continued to engage our serious attention. Our deliberations have been inspired not merely by considerations involving our own particular interests, but also by a realisation of the wider economic needs of the country demanding our lead and guidance. Our vision and sense of responsibility should therefore keep pace with the growing amplitude of our complex problems.

We are now passing through the most extraordinary times and the immediate problems that beset us must naturally engage our foremost consideration. At the same time this should not blind us to the needs of the future, and we must therefore also look ahead. In all our actions we must keep the ultimate objectives in view, and we must muster up our courage and pool our resources for establishing a strong, unified and broad-based national economic edifice that may gain for our country her rightful place in the world, and for our people a prosperous and happy life. To a consideration of these latter problems I propose, therefore, to address myself presently.

I feel greatly honoured in presiding over this meeting, where are gathered the representatives of India's trade, industry and commerce, in fact, of every sphere of her wide and varied economic life. I have no doubt that our deliberations will throw light on the knotty problems facing us. I am conscious of the limitations that beset us to-day and hinder the realisation of our objects. But in spite of these I trust our efforts may lead to some fruitful results. I entertain this conviction in all humility and seek the blessing and guidance of the Almighty with the prayer that He may give us the strength to put forth our best efforts in removing the impediments in our way, and in making as much progress as possible within the limitations that surround us.

Before I approach the problems to which I have referred I will briefly examine the international background against which the Indian stage must be set.

It would be appropriate to examine the experiences of the world and of India in the year 1933. The events of the year were a strange mixture of opposites, of frustrated efforts in some directions and appreciable achievements in others. The glaring example of such frustrated efforts is the complete fiasco in which the World Economic Conference ended. This might be regarded as one of the major tragedies of the world's economic history in this period. Put side by side with the increasing disorganisation of the League of Nations exemplified in the withdrawal of Japan and Germany from the League and the growth in the mutual hostility of the Powers, this tends to show that the world is again lapsing into the pre-War attitude of belligerent nationalism, this time rendered more threatening by its extension into the domain of economics and trade.

Despite, however, the tragic end of the World Economic Conference and the failure of its purpose of restoring an international economic regime by concerted action, it is striking that this has resulted in no catastrophic repercussions on the economic life of the individual countries. Its memory passed into oblivion with a rapidity which is as astonishing as it is suggestive. It demonstrated clearly the determination of every country to face the problems of the economic depression boldly and resolutely and not allow it to be browbeaten by despair born of frustrated efforts at international co-operation on vital economic questions like tariff and exchange stabilization. Every country was up in arms against the onslaughts of the severest economic depression in history. If circumstances were against international co-operative efforts some relief was brought by the isolated, but conscious efforts, resorted to by each country in the light primarily of its own interests. True, Japan has long been pursuing such a policy. But it is the America of President Roosevelt which has not only demonstrated the efficacy with which it can be pursued but has also imbued a moribund world with a new faith. President Roosevelt's gigantic experiment in favour of a recovery drive is much too near our eyes to enable us to form a balanced judgment on it. Nor is it yet possible to forecast its results. Whatever may be the verdict of history on the achievements of the American President, it can be asserted without fear of contradiction that he has infused new hope into a forlorn world and has brought about that psychological change which is an essential condition to setting the wheels of prosperity again in motion.

The events of 1933 have clearly shown that the trend of economic thought and policy is towards the intensification of economic nationalism in some cases on the basis of a conscious plan. The main features of this movement are the development of national industries by various forms of protection and the exploration of possibilities of mutual commercial advantages by way of trade agreements. There is a distinct bias in favour of a policy of economic autarchy, particularly in view of the overcast political outlook and the consequent threat of possible conflagrations.

The gradual and almost universal emergency of a policy of economic nationalism need not be viewed with despair, provided it is not exaggerated by entirely non-economic considerations. As practical businessmen, we have to realise that the days of undiluted *laissez faire* are gone by for ever. Control of economic affairs is an established fact, and need not, in fact should not, be a serious matter. It is only necessary that such control should be informed, conscious and planned.

Most people are apt to think that a system of co-ordinated world economy can result only from the restoration of 19th century free international trade. It might just as well be that the co-ordination of world economy can be based upon a number of organic national economies. The depression might, after all, be the *force majeure* by which the change is to be effected. It is true that no nation can live by itself, that, thanks to the development of science and commerce in the widest sense of the term, the nations have to be knit together in an international economic system. We had in the pre-War days the shadow of such a system. But we might have the reality of such a system, once each nation had fully explored the possibilities of reconstructing its own national economies on rational and well-conceived lines; and once this movement has had its chance, it is quite conceivable that a World Economic Conference convened for the purposes of co-ordinating these national economies might achieve to the lasting benefit of the world what the World Economic Conference of 1933 inevitably failed to secure.

It is, however, through the feverish efforts of the various countries to meet their own national difficulties—although not much concerned with what effect these may have on the rest of the world—

that there have been noticeable some improvements in the general economic condition of the world. It is true that the beginning of 1933 saw a set-back. But it is significant that not all the advance of the previous autumn was lost in the following summer and that during the latter half of 1933, the improvement, that was formerly noticeable, began steadily to extend. And although taking the world trade of the year as a whole a further shrinkage is seen both in its volume and value and though the course of trade is running at a low level, an undertone of a greater steadiness and resistance to further decline is perceptible. Countries whose economic production is complementary showed significant signs of recovery. In several countries increased activity in the home markets was accompanied by increased industrial activity and decrease in unemployment. While instability of exchange rates, restriction of international trade and exchanges obstructed the stabilisation of prices these did not adversely react on internal economic relations.

The outlook of industry in the principal countries of the world has also definitely improved. The gap between production and capacity is not as wide as formerly. Within each nation various attempts have been made to expand the purchasing power of the masses and to secure or expand the markets abroad. Nearly all the nations of the world are less opposed to the initiation of schemes of public expenditure with a view to increase employment and stimulate trade. All the nations have followed a policy of cheap money with a view to make credit available to industries on easy terms. The consequence of all these movements had been a slow, but perceptible, degree of recovery borne out by accelerated industrial activities, increasing trade balances, decreasing unemployment figures and balanced budgets in many of the countries. There has been a distinct expansion of industrial production, the index for the whole world marking an increase from the average of 62.4 per cent. in 1932 to well over 73 per cent. in 1933 on the basis of 1929. This improvement has been shared by Germany, U.S.A., Great Britain, France, Belgium, Sweden, Austria and Poland, in fact, all the leading industrial countries of the world. Nearly every important country in the world has been making strenuous efforts to revive prosperity. England is stimulating home production and reducing her adverse balance of trade. The Nazi regime in Germany is devoting great attention to the reduction of unemployment and the re-

patriation of German bonds. Japan has been working towards regimented industrial development. All these countries have been using every possible method to increase their export trade ; the most important of these methods is the conclusion of bilateral trade agreements, which have also helped to some extent to solve the problems of the smaller countries with whom they were entered into.

Against this background, no marked improvement was disclosed by conditions in India. Although on account of her extensive foreign trade relations the improvement in world trade and industry was reflected in her economic conditions, the basis of economic life continued dull and lifeless. Agricultural statistics reveal that, with the exception of certain sections, condition of the agriculturists of the country as a whole remained just as bad in 1933, as it was in the previous year. Our exports consisting mainly of raw materials, increased by about Rs. 11 crores ; but of this increase no less than Rs. 9 1/2 crores was accounted for by cotton alone. The benefit of larger exports of other agricultural staples, such as oil-seeds and jute, has been considerably minimised by a sharper decline in value, while commodities like rice suffered set-back in 1933 in both quantity and value. Even cotton showed a much larger percentage decline in price at the end of 1933, as compared to the price quoted at the end of the previous year. Wheat, which does not figure largely in our foreign trade, but is, nevertheless, a crop of great importance to a large section of agriculturists of the country, suffered larger reverses than in the previous year, its price index having dropped to 73 in December, 1933 from 89 in December, 1932.

In regard to industries, India provided by no means a parallel to the industrial countries of Europe and America. We have no comprehensive production or employment statistics in India, but such evidence as there is does not indicate that the industries showed any remarkable signs of expansion, with the possible exception of iron and steel, sugar and cement. The cotton mills industry showed no signs of progress ; indeed, if anything it showed signs of stagnation, and a number of mills in the Western Presidency were compelled to close their doors. The jute industry also laboured under forced restriction of its total productive capacity although a welcome relief was provided by the increased off-take of hessian by the U.S.A., in the middle of the year following the adoption of the re-

covery measures. Tea experienced a spurt in prices towards the end of the year owing to the prospects of the adoption of the restriction scheme, which was accepted by the Government of India and given statutory effect in November last. The scheme, while helping the price to rise, has imposed a definite limit on the permissible volume of exports, and consequently created a fresh problem for the industry as the production of tea far exceeds the quota allotted to India. Coal experienced a bleak year and deteriorated perhaps more than any other industry.

It is only in the matter of foreign trade that India's position has showed some improvement, during the year. Although official circles are inclined to credit a part of it to the Ottawa Agreement, it is significant that such claims are very cautiously made. While the total value of our merchandise exports increased from Rs. 137 crores in 1932 to Rs. 148 crores in 1933, the corresponding value of our imports declined from Rs. 133 crores to Rs. 116 crores. Our balance of trade has thus increased to Rs. 32 crores in 1933 from Rs. 3 crores in the previous year. The figures of the year reveal, that India has not derived, official protestations to the contrary notwithstanding, any substantial benefit from the Agreement. It has only led to a diversion of trade and has not given any particular stimulus to India's exports to the Empire countries. This is clearly borne out by the fact that, while during the year the share of the Empire as a whole in India's exports increased by only 4%, the increase in the off-take of the non-Empire countries increased by 11%.

The increased balance of trade, yet much below the normal, does by no means reflect any inherent strength in the trade position of the country. It was still far short of the essential requirements of a debtor country like India, and would have made it impossible for her to meet the foreign obligations, had not the ways and means programme of the Government been considerably facilitated by the continued exodus of gold.

Apart from the Ottawa Agreements, two other agreements were initiated during the year,—the Indo-Japanese Agreement and the Bombay-Lancashire Agreement. The former marks a welcome departure in the foreign trade policy of the country and provides the first instance of a commercial agreement negotiated directly between India and a foreign country, even though the actual signing

of it has had to be done in London. Although we cannot agree to the principle underlying it, namely, inducing other countries to take our raw materials by agreeing to take them back as finished goods, and must strongly disapprove of its extended application, we quite realise that under the extraordinary circumstances that prevailed it was perhaps inevitable.

The Bombay-Lancashire Agreement lacks the seal of national approval. As far as this country is concerned one could almost call it a sectional agreement. India has not gained much from it. Even if it may have marked the first recognition by Lancashire of India's right to protect her industries which is only a proof of her narrow and unfair outlook in the past, it was unnecessary as it had already been recognised by the Imperial Government and successfully embodied in Indian tariff measures. By no stretch of imagination could one call it a valuable economic concession. Further, whereas India has agreed to give a part of her market to Lancashire goods, Lancashire has given no undertaking to buy any raw cotton from us. You cannot call it a bilateral agreement, because Lancashire has not definitely agreed to do anything. All that she has done is a promise to do her best to encourage the use of Indian cotton, and that can hardly be called an adequate *quid pro quo* for valuable economic concessions. As for the good-will we are supposed to have gained, I must frankly admit I am not so sentimental, and I will only value good-will when it is expressed in action. That even after nearly 150 years of close political and economic relations, greatly to her benefit, England's good-will has still to be secured by economic concession, is indeed a significant commentary on inter-imperial relationship.

ECONOMIC PROSPECTS.

Government's Appraisal.

I will now deal with the Government's interpretation of the situation in India. The latest expression of the Government's view is furnished in the recent Budget Statement. That the Finance Member should think it necessary to devote so much attention to it is, I take it, a recognition of its seriousness. While Sir George Schuster realises that the economic stamina of the population has a profound influence on the economic strength of the State, he fails

to grasp fully the implications of this proposition. In simple terms, he cannot hope to mend the nation's budget without, at the same time, carrying out all those measures that are necessary for the people to balance their individual budgets. To say that the finances of the State are sound, while the Government are yet innocent of any positive and concrete action for the amelioration of the countrywide economic distress, is meaningless. The Finance Member does appear to have had a fleeting appreciation of this truth. For, he is at pains to rebut the charge that the Government of India have been content with a policy of drift. His apologia is halting and unconvincing; and while, on his own admission, the direct measures sponsored by the Government are but a poor test with limited aims, we are left wondering when our authorities would realise, in all vividness, the urgent and imperative need for a detailed, comprehensive and co-ordinated planning of the national economy.

In a world in which old beliefs and age-long institutions have all been thrown into the melting pot, our Finance Member is still desirous of being the leader of the school of orthodox finance. Narrow principle of financial orthodoxy have obsessed him to such a degree that he has failed in understanding the fundamental economic problems in their correct perspective. It is this fact which must account for the complacency with which he refers to his performance in presenting the so-called balanced budget.

Balanced in outlook and budget, the Finance Member has nothing but scorn for a country like Japan which had to take recourse to loans for making up the leeway in the budget. I would be the last to make light of the virtues and excellences of balanced budgets. I am all for a balanced budget. But the "when" and "how" of balancing is no less important than the mere fact of balancing. If an unbalanced budget in normal times is unsound finance, a balanced budget in these strenuous times need not necessarily mean sound finance. You can easily overdo this fad of balanced budget. The idea of balancing the budget at all costs, while the country is thereby asked to bear a burden beyond its capacity, is certainly not in accordance with modern conceptions of sound finance. I would rather be heterodox with Mr. J. M. Keynes, than orthodox with Sir George Schuster. I can understand heroic measures in the balancing of the budget if, at the same time, heroic measures are put into active

operation by the Government for the rehabilitation of national economy. Heroic measures in regard to a budget are a two-fold burden on the population which is left to find its own remedies for its own ills and has, besides, to put its hands into its pockets and find something more for the cure of the ills of the Government.

I do not suggest that we should be a party to the financing of revenue deficits by loans. Nor is the loan of 881 million yens raised by the Japanese Government entirely accounted for by budgetary needs. Everyone knows that a much larger percentage of the total expenditure of the Japanese Government is accounted for by development works than is the case in India ; and everyone is also aware that, as a result of funds so fruitfully spent, the economic condition of the Japanese people has, year by year, been showing considerable improvement.

Under these circumstances, so long as productive loans have not begun to yield the expected return, deficits may be taken as a normal incidence of such loans ; and within reasonable limits, and incurred as a result of scientific and deliberate policy and plan, deficits of this nature do not necessarily prove any inherent weakness in Government finances. In this connection, I would also refer to the colossal development and recovery loans amounting to 3 billion dollars which the Roosevelt Administration has taken power to raise. Are we to believe that while India stands out as the one sponsor of sound and scientific finance, America, Japan and countries similarly devoted to bold experiments in abnormal times, have a total dearth of financial experts, or are committed by statesmen-adventurers to rash and perilous policies of finance ?

Indeed, the justification of Government borrowings lies in the fundamental aims and objects for which the loans are raised and the purposes and uses to which the proceeds are put. If it is demonstrably proved that a large-scale loan could usefully be employed in the solution of a particular problem of vital concern to the population of the country or an important section thereof, and if it is also found that the solution of the problem is likely to result in a betterment and strengthening of the economic conditions, where could be the objection to the raising of such a loan for such a purpose ? I may readily admit that the two factors that have great relevance in this regard are the condition of the gilt-edge market and the ways

and means position of the Government. But if these factors are propitious—and they are propitious in the case of India—is it not a great pity that the Finance Member has not seen his way to take the fullest advantage of a favourable situation? The Budget contains but a meagre provision of Rs. 11 crores on capital works.

The Finance Member claims to have played an important part in the current phase of cheap money. Before I proceed to examine the implications of a condition of cheap money, I should like to point out that Sir George's claim in this matter is not well-founded. On the contrary, his remittance policy has actually stood in the way of still cheaper money rates. The deflation complex, infused in the Finance Ministers of India ever since eighteen pence was enthroned in 1927, has still a firm grip. The silver sales in earlier years were used as a hidden device for effecting currency contraction. The remittance programme is now pressed into the service of deflation.

The Budget, which Sir George Schuster announced at February-end in 1933, provided for a remittance programme of £ 21 millions. The revised plan disclosed last February estimated remittances at £ 37 1/2 millions. A scrutiny of the last remittance *communique* makes it obvious that actual remittances are likely to be £ 45 millions. In other words, sterling purchases actually purchased in 1933-34 will exceed original proposals by £ 24 millions. We must strongly object to the Government purchasing sterling for such large amounts in excess of their needs unless it be that sterling has to be accepted by them in terms of the statutory obligation to buy sterling at 1s. 6.3/16d. As soon as the remittance programme is completed, the Government should step out of the market and allow exchange to rise to the upper point, so that any further purchases of sterling would be only in pursuance of the legal obligation. If this were done, whatever sterling happens to be purchased would be automatically placed in the London Branch of the currency reserve leading to currency expansion in India. Purchases of sterling at rates lower than the upper point result in the accumulation of sterling balances in the Home Treasury or in subsequent transfer of such surplus to the currency reserve with no corresponding expansion of currency.

It should be definitely understood that the Government can come into the market for sterling purchases at rates lower than the

upper point only for legitimate requirements. In other conditions, it is the statutory upper and lower points that alone should guide the operations of the Treasury.

The present procedure would mean the swelling of London current balances by £ 24 millions and the depletion of the Indian balance by Rs. 30 crores. To the extent that there has been a shortage of cash in India, various makeshifts have been resorted to. These makeshifts have had the effect of maintaining inter-bank call money at onerous levels, reducing the cash percentage of the Imperial Bank and compelling the Bank to keep a 3.1/2% bank rate, while the actual conditions of trade demand lower bank rates. Thus have excess remittances been utilised for depleting the cash position of the Treasury in India, whose repercussions have resulted in a phase of firm money which is at entire variance with the intrinsic conditions of trade.

If only the Government had followed the correct procedure in this matter, that is, if they had stopped purchases of sterling from the open market as soon as they had completed their programme, exchange would have gone up to the upper point, banks would have offered sterling to them at the upper point, accumulations of sterling in the reserve would have taken place, and there would have been expansion of currency to the amount of nearly Rs. 30 crores. Had there been expansion of currency to this amount, there can be no doubt that instead of the artificial tight money conditions which are now experienced, credits would have been available at cheap rates, thus offering an inducement for a higher level of commodity prices. I have dealt at length on this insidious use of excess sterling purchases for deflationary purposes, as this matter has not received any considerable attention either in the press or from mercantile bodies. In the light of the facts I have stated, the claim of the Finance Member that he it is that has brought about cheap money and that he is taking active steps for bringing about a healthier level of prices in the staple commodities of India is certainly exaggerated.

To return now to an examination of the implications of a condition of cheap money rates. The Finance Member seems to entertain the naive belief that cheap money alone is sufficient to induce industrialists to undertake new schemes of work and thus provide employment. That cheap money without business confidence is

like a machine without any motive power has been abundantly demonstrated by the experiences of all countries. If prices continue to be so deplorably low, of what avail is mere cheap money? The Finance Member does not, unfortunately, realise the fact that, under present circumstances, cheap money can be of value to national economy only if it is availed of by the Government for the evolving of an apt programme of public works. It is through such works that a solution can be found for the menacing problem of unemployment; it is by such works that effective demand can be set free for various kinds of materials and services. While trade and industry are in such a depressed state, the initiation of a vigorous capital programme would prove to be an effective way of stimulating the demand for industrial goods, inducing greater purchasing power in the masses, and relieving the industries suffering from a dearth of demand and a plethora of stocks. In the absence of effective and widespread demand, industries would have to impose on themselves voluntary schemes of restriction of output: and by reducing the national income of the country, this would further aggravate the crisis.

The need for such expenditure has been recognised by the State even in those countries where a substantial stimulus to the general purchasing power is afforded by varied schemes of unemployment relief. In India, where no such relief is available, there is all the greater and all the more insistent need for a programme of capital works. Progressive countries like the U.S.A., France, Italy and Sweden serve as an object lesson for our authorities.

President Roosevelt's plan and policies apparently do not command the Government of India's approval. It has been observed that the situation in India is not as serious as in America, and that, therefore, there is not a similar necessity for experimental measures. Neither have the Government any statistical data to establish the validity of this statement, nor have we the data to rebut it. No statistics of any kind are being compiled in this country in regard to the nature and extent of unemployment. But it would be perfectly true to say that as the unemployed are such a preponderating proportion of the population, it would be an easier task in the case of this country to compile employment statistics than the unemployment statistics compiled by other nations. Such figures, how-

ever meagre, would suffice to show that though no such serious situation has materialised in regard to unemployment among factory labourers—and industrialisation has made but little progress in the country—the number of educated young men of the middle classes, wandering aimlessly and helplessly in search of some opening in life, is markedly large, while under-employment among the agriculturists is admittedly considerable. If these men could be half so vocal as the masses in other climes, the Government would have long been forced to appraise the situation correctly. But to conclude from their apparent quietude that no such problem exists in India or that it is not half so serious, is absolutely unwarranted. Any one who has travelled in rural India with eyes to see and ears to hear, will not fall into the facile error of arguing that economic distress amongst the millions exists only in the imagination of agitators and malcontents. The tragedy of the lives of the middle and lower classes beggars description.

It is necessary, in this connection, to examine the contention of the Finance Member that nothing could be seriously wrong with the masses as the consumption of goods in India has continued to be maintained at a high level. The table which he has appended to the relevant paragraph does not, however, support his thesis. It is pointed out that, quantitatively, consumption of piecegoods in 1933 shows an increase of 11 per cent, as compared with the average of ten years ended 1930. The statement thus made is based on the total of internal production in 1933 plus the total of imports from foreign countries in that year. This kind of correlation of annual consumption with annual production plus imports is highly deceptive and, as a matter of fact, it need only be pointed out that the bulging stocks in the godowns of mills and dealers in 1933 afford conclusive warning against the assumption that the production plus imports of the year are a reliable criterion of actual consumption.

Another factor from which the Finance Member has derived great comfort is a comparison of the bank failures in America with an alleged absence of such failures in India. It is argued that because a large number of banks closed their doors in America, the American economic situation must be deemed extremely unsound. Banks as are known to the money market proper in India and as are established in India with rupee capital, are so few in number

that, in the very nature of the case, not many failures are possible. Even so, it has not been altogether an easy job for banks run on Western lines to conduct their business on a paying basis. But the real point is that far more important than the few banks run on Western lines and located in provincial capitals, are the hundreds of mofussil banks and the houses of indigenous bankers spread all over the country. Bengal, for instance, has a network of credit institutions consisting of no less than 800 loan offices. The Government of India are apparently ignorant of their plight. It is true that they have not closed their doors. It is true that there is no question of bank failures in their case. But over 90 per cent. of these 800 loan offices are, for all practical purposes, in a state of suspended animation. The position was so grave that I deemed it necessary to append a special note to the Central Banking Enquiry Committee Report on the subject in 1931, when these loan offices were in a moribund condition. They are in a still worse condition to-day. Yet the Government have done nothing in the matter. And yet the Finance Member claims that the banking and credit situation in India is far more healthy than in America. An equally gloomy state of affairs prevails in regard to indigenous bankers. Certain sections of important banking communities have passed through great strain and stress and, unfortunately, failures have not been an uncommon feature. I may add that, in earlier decades, failures among indigenous bankers were practically unknown. In reference to banks and bankers indigenous to India, the situation is far from satisfactory and has, in fact, reached a state of such crisis that, were this to happen in any other country, the Government in power would have been stirred to activity on quick and effective lines, or thrown out of office. Is this the kind of credit situation which can enthuse any Finance Member?

No less is the rejoicing of Sir George Schuster at the absence of any control of production in regard to the staple commodities of India. We have had no necessity to control output, says Sir George, "and yet our exportable products have somehow or other throughout the crisis found a market in the outside world. We have no dangerous accumulations of unsaleable stocks and we have escaped so far some of the worst problems which have afflicted other agricultural countries." Surely, the Government cannot be unaware of the unhealthy accumulations of stocks in coal and jute which

have been depressing prices so heavy that record low levels have been reached. It may be that stocks in the hands of the growers are sparse. But what does this show? It only shows that the agriculturists, due to their total lack of holding power, have had to part with their crop irrespective of the price it fetched. This is not a fact on which the Government need congratulate themselves. On the contrary, it is a tragic reflection of the failure on the part of the Government to appreciate that they owe something to the large agricultural population in the direction of providing, through adequate and appropriate institutions, suitable and sufficient financial facilities for the strengthening of the holding power of the growers.

The Finance Member has narrated the story of India's great industrial development to prove that some Indian industries have made greater progress than the corresponding industries in countries like England, France and America. While the fact as cited may be literally true, the conclusions drawn from them are not fully warranted. After all, in a period of depression the production of industries in countries depending largely on export markets must decline, whereas the same cannot apply to countries whose industries have reached nowhere near the normal internal consumption level. This explains the fact that while industrial activity in textiles declined in countries like the U.S.A., France and U.K., during the first ten months of 1933, there was noticeable an increased activity during the same period in India. The cotton textile industry in India has been steadily expanding, under the stimulus given to it by a protective tariff, its volume of production to meet the demands of the home market, which is still supplied to a large extent by foreign manufacturers. Moreover, to speak in percentages is highly misleading for a correct appraisal of the real state of things, if any comparison is sought to be made on such basis between one country which has reached the height of its industrial progress and another where industrial development is still not far from its infancy.

Further, the selection of the year 1928 as the basic year is striking for its departure from the accepted standards of comparison in such matters and the choice of the particular year, which was abnormal in respect of certain Indian industries, is to no small extent responsible for the conclusions reached by the Finance Member. The year 1929 is generally accepted as the basis of all comparative

post-depression calculations. The Finance Member, on the other hand, has taken 1928 as the basis and estimates that the Indian steel industry had increased by 75% in production during the first ten months of 1933. May I remind him that in 1928 a prolonged strike took place in the Indian steel industry and the plant remained idle for nearly five months in the year ? Taking 1929 or 1927 as the basic year, steel in India during the first 10 months of 1933, comes down to the neighbourhood of 25 only.

The realities of the industrial situation in India cannot be made to appear brighter by a carefully drawn-up comparison on a basis that is untenable or by magnifying the progress of one or two industries.

It is, however, evident that even the present Government could not but be struck by the extreme gravity of the situation in this country. They have adopted certain measures, which are but half-hearted in their nature and we cannot accept the claim that steps have been taken as a matter of deliberate policy decided after much thought. The Finance Member has cited the Ottawa Trade Agreement, the undertaking of an economic survey and the appointment of a marketing officer as evidences of a deliberate policy. It is necessary to remind him that the agreement with Britain (assuming that it is to our advantage) is not due to any policy of the Government. The Indian Government had played no part in convening the Ottawa Conference, which they attended only by invitation. Nor was the Indian Delegation at all adequately prepared to take the fullest advantages of the opportunities offered at the Conference. This lack of equipment and preparedness of the Ottawa Indian Delegation betrayed the absence of any conscious policy on the part of the Government of India. Yet, the Finance Member claims that it was all the result of a deliberate policy.

The economic survey was announced full four years after the beginning of the depression. The learned surveyors passed through the country almost unnoticed. The Government's anxiety to justify themselves had led them to elevate such stray measures to the dignity of a deliberate policy. As for the marketing officer, while we welcome the appointment, I hope, the Government do not really wish us to believe that it is going to solve our agricultural problem.

The Finance Member is all praise for the Ottawa Agreement and the beneficial results that are said to have accrued from it. Cold facts and irrefutable statistics do not warrant the blessings showered on the Agreement. The economic plan of an inter-Imperial solidarity stands condemned in the light of subsequent trade developments. While the share of the Empire countries, except Britain, in India's exports has diminished from 18.4 per cent. of the total in 1932, to 14.8 per cent. in 1933, they have succeeded in increasing their share in India's imports from 8.1 per cent. in 1932 to 9.2 per cent. in 1933. A remarkable contrast, however, is presented by the fact that non-Empire countries have increased their off-take of India's exports from 54.2 per cent. in 1932, to 55.4 per cent. in 1933, while their imports into India have dwindled from 55.7 per cent. in 1932, to 50.9 per cent. in 1933. Great Britain's off-take of India's merchandise has, of course, advanced from 27.4 per cent. in 1932, to 30.0 per cent. in 1933; but this is in the main due to the general improvement in the industrial outlook of the world to which I have already made a reference. Taking absolute figures, however, it is more than evident that India has gained nearly Rs. 6 crores with Great Britain while she has lost nearly Rs. 4 crores with the Empire countries.

This is the benefit we have reaped from the Ottawa Pact, which shows that we have no reason to congratulate ourselves on its achievements. It does not, however, imply that we would not like to cultivate closer commercial relations with the Empire countries; on the contrary, any opportunity to enter into agreements with them would be welcome to India, provided they are not thrust upon us and are potentially capable of conferring real economic benefit on India.

The menacing and the almost baffling problem of rural indebtedness in India has also engaged the attention of the Finance Member but his attitude towards it raises little hope of any effective solution, at least not until the lapse of an indefinite length of time during which the mass of agriculturists will have to continue to bear the crushing burden of their debts. In his opinion, it is not possible even in this respect to adopt any "heroic" measures. I wonder, if this menace to our economic structures does not demand any heroic measures, what else does? And need I point out, having regard

to the experience of other countries, whose inherent economic strength is palpably much more assured than that of India, that the Finance Member's shyness of heroic measures has driven him to the length of finding in a crisis a hundred good reasons for doing nothing—a position which would certainly have provoked the strongest public censure on the Finance Minister in any other country? What was it but a revolutionary departure from their traditional policy when the American Government, throwing the creed of individualism overboard, initiated a plan for controlling the business activities of the nation? Was it not a heroic step on the part of the Government in Great Britain to have sabotaged their age-long policy of *laissez faire* and gone off the gold standard to save national industry and trade? A number of other countries, like Germany, Italy and Turkey, have taken "heroic" steps to maintain the integrity of their economic life. Even small states like Ireland have fallen into line. And how can Sir George Schuster make us believe that the Government in this country are habitually disinclined to heroic action and are quite averse to it? Did they not set all dangers at naught and make ruthless efforts to maintain the exchange value of the rupee at an artificially high level?

That was so, because it was considered most urgent in the interest of British trade and commerce. In India, it has been our most unfortunate experience that the Government's sense of gravity of any situation has been effectively roused only when British interests are involved. And where such interests were at stake, no efforts have been deemed too heroic or rash. Their comparative indifference towards problems of vital concern to the people of India was, perhaps, not a little due to the fact that hitherto the Government have proceeded on the assumption of an unalterable low standard of living for the people of this country, so that an evil like the present economic distress, which would have been deemed a national calamity in any other advanced country, has come to be looked upon as a matter of little concern. This attitude has so long placed a brake on the economic development of the country. But this consequent stagnation in the economic life of India at an extremely low standard demands a radical and immediate change in the entire outlook of the Government. It demands not only "heroic" measures but also a carefully drawn up plan of action to make up for years of negligence and inaction in the past.

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PLANNING.

As we have seen, the Government's reading of the situation is not such as would enable the country to achieve the desired progress, and is so apologetic of their own policies and actions that as a guide to future development it cannot be considered to possess much value. My own understanding of the problems is very different, and so are my conclusions and suggestions. It shall now be my task to give a sketch of my ideas both as to the fundamentals of the problem and the directions in which solution is to be sought.

At the outset, I should like to consider why a plan is necessary and how the planned policy and programme can help us. The plea for planned development may appear superfluous to many of us. Nevertheless, there is so much confusion in the minds of the people about the conception of, and necessity for, economic planning that we must grasp clearly why an economic plan should be instantly adopted by India.

India's need of a plan arises primarily from the fact that she possesses outstanding natural economic resources and advantages which have been very inadequately appreciated and inefficiently exploited. Where some attempts have been made to develop them, they have been so desultory that results have been disappointing. And far from solving any problems, they have given rise to knottier ones. An economic plan is needed to develop the resources that are to-day lying undeveloped or are being wasted, and, where developments have taken the wrong direction, to correct them and attune them to a national policy. It would be fatal if we had no definite plan in view and were simply pushed one way or another according to the demand of immediate problems and proximate tendencies. It is easier to formulate, and more effective to execute, a plan in the earlier stages of a country's development, even as it is easier to train an animal while it is young. With the progress of time the economic organization of a country must perforce develop rigidity which renders changes more difficult.

It is difficult to conceive why one of the greatest producers of raw cotton should import such immense quantities of piece-goods, or why the world's largest grower of oil seeds should depend upon foreign countries for paints, varnishes and soaps. With millions

of acres suitable for tobacco growing, it is strange that we should buy such large quantities of foreign cigarettes. With our immense resources of bamboo, timber and grass, India could easily be an exporter of paper, and yet to-day she imports most of her requirements. That the country, which is, perhaps, the greatest producer of hides and skins, should still buy finished leathers and leather goods from abroad is an economic paradox and national humiliation. We produce rubber but have to import rubber goods. We can produce all the steel we want, but machinery is still imported. We have an immense internal market for all these goods and yet we do not seem to realise the possibility of filling this far-flung market with goods made in our own factories.

Apart from these important considerations, which constitute a positive reason for economic planning, the developments in the world around us would ultimately force us to fall into line. The rapid changes that are taking place in the economic outlook and policies of other countries, the development of exaggerated economic nationalism, the economic consequences of reparation and war-debt problem, new tariff and currency policies, these are all exerting tremendous pressure upon our own economy. To counteract their unfavourable reactions and diminish the violence of their impact, it is necessary to plan out the defensive measures that we will have to adopt. The need for the adaptation of our economic organization in answer to the sudden and startling developments in foreign countries has been forcibly impressed upon us during the last four years.

If countries endowed with a high economic standard like Britain, France and U. S. A., decide to refashion their monetary and exchange policies, we shall be compelled to modify our own policy in the light of such developments. Again, if our great foreign customers make new decisions as to what they should grow or make, what they should buy, how they would buy and from where, India, which produces, exports and imports an immense variety of goods, would have to make necessary adjustments in her own economic and fiscal policy. If Japan decides to develop her own resources of pig iron, Indian pig iron, which depends upon the Japanese market, would either have to find other markets or be utilised in India itself. If, again, Japan decides to develop cotton-growing in her Empire or cultivate other sources of supply, the Indian cotton-grower will

have to find new markets or the Indian cotton industry will have to be expanded to consume the surplus cotton in order to save the grower from ruin. The further development of manganese mining in South Africa, West Africa or Southern Russia will seriously hit the Indian mines. Similarly, if France decided to grow groundnuts in her African possessions, and succeeded in her efforts, the groundnut producers of India would have to face serious trouble, if, in the meanwhile, other foreign markets were not found or the possibilities of utilising more of the seeds industrially within the country were not explored.

The remedy for all these is planned economy—wherein every tendency is carefully studied, every result intelligently forecasted, every contingency wisely provided for the every method clearly elaborated. We may call it defensive or protective planning.

For a comparatively weak and economically young country like India, the importance of economic planning for both defensive and developmental purposes can hardly be exaggerated. In the progressive countries of the West, the urge for planning has been felt at a comparatively advanced stage of their economic development, with a view primarily to adjust their respective economies to the altered circumstances created by post-war developments. In India, we need a plan not merely for effecting such post-war adjustments, but what is immensely more important, for developmental purposes.

Certain symptoms have appeared in the economy of India which will be amenable only to systematic treatment. There are many problems which are pressing for solution, and which cannot be successfully attacked except in an organized manner. There is a pronounced lack of equilibrium between agriculture, industry and other channels of economic activities. The development of urban and rural areas is characterised by a marked disparity. Low yield per acre, uneconomic fragmentations, inadequate irrigation and chronic indebtedness of peasants have made agriculture, the most important occupation of the country, an extremely unproductive and unprofitable industry. Industries are handicapped by insufficient capital resources, inefficient technical service and low quality of raw materials. The policy of discriminating protection has afforded many of them a small measure of security, but unless it is supplemented by a re-

adjustment of internal freight rates and the adoption of a more sympathetic stores purchase policy, their full development will always lag behind their potentialities. Banking is still undeveloped and its structure ill-balanced. A great part of our population and a large number of our smaller towns are still ill-provided with banking facilities. In the absence of industrial, exchange and land mortgage banks, our industries, foreign trade and agriculture are forced to fall back entirely upon their own resources and, in many cases, face competition from foreign countries which enjoy immensely greater advantages in these respects. Our transport system lacks co-ordination and cost of transport is far too dear. We depend for the stability of our public finance upon very limited and inelastic sources of revenue, and the expansion of beneficial Governmental activities is seriously hampered by the inelasticity of their revenue. There is, again growing unemployment which destroys the *morale* of the rising generation and has introduced into the economic structure germs of a dangerous malady. While nothing seems to be done to develop our internal trade, our foreign trade is facing heavy odds and shrinking rapidly.

These problems, it will be seen, cover the entire phase of our economic life. The solution of every one of them is a matter of deep concern to the country. Some of them have already assumed very grave aspects, and attention to them cannot be delayed. At the same time, the ordinary *laissez faire* attitude will not produce results. It requires boldness and imagination. Mere tinkering will be of little avail. It is our ability to face facts, our courage to make experiments, our readiness to do things and take risks, if necessary, that will ultimately mark the pace of our progress. If the foundations are weak, there is no use of patching up the root. The problems are of great magnitude and our endeavours should always be of like proportion. Political expediency and the utilitarian complacency that all that need be done is something merely to pacify public clamour should have no part. The mainspring of policy and action should be the fervour to re-construct India and the determination to do it as speedily as possible.

There are various types of plans and it should be our endeavour to examine them and select the type that will be most suitable to Indian conditions. On account of the spectacular experiments

made by Russia in planning out her economy and the fair measure of success that is reported to have attended them, economic planning to many people has become synonymous with the Russian form of economic experimentation. Not only is the Russian conception of economic planning inapplicable to countries with an entirely different economic philosophy and outlook, but the very insistence upon the Russian model has served to create in people, who otherwise have an open mind, a feeling of prejudice, if not silent opposition to the adoption of any plan whatsoever. It is needless to say that the extreme type of State Socialism and economic regimentation that have been enforced in Russia can hardly be acceptable or applicable to India. The basic principles of the Russian experiment are, it seems to me, contradictory to the tradition, outlook and philosophy of the Indian people. But while we reject the communistic basis of economic planning as adopted by Russia, we would be exceedingly unwise to offer opposition to planning itself.

Planning on a wide and fruitful scale has been inaugurated in other countries like the United States of America and Italy and in Asiatic countries like Japan and Turkey. In Turkey the active intervention of the State has been more apparent because the people were comparatively undeveloped. In Japan in the early stages of her economic development, the State played an important part; but, in recent years, on account of the development of the people themselves, the State finds that it is sufficient to stand behind the organizations of the people and give them the necessary facilities and assistance needed for the working out of national policy. Italy has followed a similar policy of State-aided development, where instead of taking direct initiative, it has been content with placing, at the disposal of the people, such resources and assistance as are necessary to encourage them to take the initiative and launch enterprises. The State need not supplant the individual, neither need the individual be entirely left to himself under any planned economy. In India they would both have their respective spheres of activity and their separate economic functions. What we want is the co-ordination of State assistance and individual initiative.

I fully realise that, in the absence of political power, it would be difficult to induce the Government to accept our proposals. But there are parts of the plan which may appear innocuous even to the

present Government and may, therefore, be readily undertaken by them. The pressure of public opinion may force them to adopt further measures in other directions; and, for the remainder, the people themselves can do a great deal, if they will only combine and organize. In these ways, I feel it is possible for us even under the existing inauspicious circumstances to make an encouraging start.

A leading member of the European group in the Assembly recently formulated what was intended to be a kind of economic plan for India. It denotes a welcome departure from the traditional attitude of European businessmen in this country that everything was alright and that there is nothing else the Government could or need do. It is, if I am not mistaken, the first open recognition by this group of the gravity of the situation and the necessity for action. As an indication of interest taken by European businessmen in the problems of the country and a growing sense of their responsibility to the country which is the field of their fortunes, we welcome this definite and unambiguous statement. But I must confess to a sense of disappointment about their reading of the situation. The real gravity of the problem is but dimly perceived, and the fundamentals seem to have eluded grasp. The aims are ill-defined, the goal vague, and, therefore, the methods prescribed lose much of their meaning. Suggestions are confined mainly to the refashioning of administrative machinery so as to subserve British interests better and not to the eradication of economic evils. The machinery for execution has its significance only in relation to the objective, which should be the adoption of such a plan as will make the best use of our natural resources, human wealth and capital for the foundation of the material basis for the fullest life for all the people of the country. However, if the new interest, which the European businessmen are taking in Indian problems, will induce them to pursue their studies further and consider the deeper aspects of the problems, I am sure they will reach conclusions not very different from ours. The European businessmen, with their wide experience and international contacts, can be of valuable assistance to the country in evolving well-poised economic plan, and I fully hope that it will be rendered willingly and generously.

Politics is a disruptive force. Economics is a unifying influence. If European and Indian businessmen endeavour to find solution for

economic problems in terms of fundamentals, they will find that they have a common platform and they can combine in the working of a common programme.

An economic plan may give rise to conflicting attitudes from the different sections of the community. One section in their hysterical anxiety to do something do not mind doing anything. This light-hearted attitude may cause great harm. Another section has adopted caution as its watchword and would sit quiet and do nothing for fear of committing mistakes. It is necessary to remind them that he never achieved anything who never made a mistake. We must steer a course clear of either extreme. Our desire to act should not lead us to light-hearted experimentalism nor should caution palsy our courage.

I may now examine the important departments of our economic activities.

AGRICULTURE.

In any scheme of planned economy for India, our foremost attention should be directed towards agriculture—the biggest industry of the country. Whatever degree of inter-dependence with other parts of the world may be permissible or economically justifiable in other matters, India should aim at becoming absolutely self-sufficient with regard to her food-supply ; and the production of such crops as rice and wheat must have adequate attention. Inroads have been made into the field of the supply of food crops by Australia, Indo-China and Japan, and with the question of separation of Burma looming so large, our dependence even on Burma rice may be a source of serious economic weakness.

Apart from this question of self-sufficiency in food supply, our agriculture requires to be specially looked after in order that the purchasing power of the mass of our population may be strengthened, thereby providing the necessary nucleus for industrial and commercial development, and that our exportable surplus may be maintained in sufficient measure to enable us to meet our heavy foreign obligations. Nor can its importance as a source of provincial revenue be over-emphasised.

In fact, whether we look at agriculture from the point of view of the prosperity of our peasants, the expansion of our export trade, the meeting of our foreign obligations, the development of our industries or the solvency of our Provincial finances, its supreme importance in the general economy of India and the urgency of economic planning in this field are forcibly impressed upon us.

A plan for agriculture would necessarily have to be based upon a close study of its problems. The primary need of agriculture is the improvement in the technique of production and the quality of the products. It would be no exaggeration to say that the technique of agricultural production in India has been stationary from almost remote antiquity. The implements and manures used, the quality of seed and cattle, the methods of irrigation and rotation of crops have shown little improvement. Crusted custom and blind tradition have still an enormous influence on the productive outlook of the peasant. The cumulative result of all these factors has been progressive impoverishment of the soil and comparative unproductivity of agriculture, reacting dangerously upon the cultivator's own condition and on the country as a whole.

The first part of a plan for Indian agriculture would, therefore, have to deal with the improvement of the human, the animal, the mechanical and the land factors.

The improvement of the human factor would consist of the means of making the peasant a better-informed, more progressive and self-reliant person. Lack of education and colossal ignorance lie at the root of the wretched condition of the peasants. Our Government have spent fairly considerable amounts of money in advancing agricultural research work etc., but the benefits of this will for ever fail to reach those for whom it is intended, so long as the mass of Indian peasantry remains ignorant and illiterate as they are to-day.

The spread of elementary education will, I am afraid, take some time and so long as the present state of things continues, the requisite knowledge must be imparted through such suitable methods as appeal through the peasants' eyes and ears. Travelling demonstrations and lectures form an essential part of the scheme of agricultural education and propaganda in countries like Japan, Russia and Germany, and although desultory efforts in the same

direction have been tried in some Provinces here, well-planned and systematic propaganda is yet to be undertaken. The tremendous possibilities of the cinema and the radio as vehicles of education have not yet been explored in our country. I think we should make more and more effective use of talkies and motion pictures for the education of the agriculturists in improved methods of production, marketing, etc.

Low yield and poor quality are the twin handicaps of the Indian agriculturist. He gets less out of his land than he might, and even the little quantity he produces fetches less per unit than his competitors in other countries. There is international competition in such products as cotton and oil-seeds, and unless we improve our quality and maintain a standard, we shall find our markets shrinking and our customers changing over to competing sources of supply. Besides this, it is necessary for us to explore the possibilities of improving the quantity and yield of such of our raw materials as cotton and sugarcane as may render our indigenous industries self-sufficient and strong enough to meet foreign competition.

Yield and quality are really the outcome of the same cause, and what is really necessary is to make the cultivators realise the danger confronting him and to induce him to select his seeds better and adopt more efficient methods. At the same time, an examination should be made of the possibility of introducing more and more economic crops as may suit particular areas and for which there may be better demand.

In common with the yield, the question of the size of holdings is also one that requires serious consideration. Subdivision and fragmentation of holdings, due, among other factors, to the increase in population, the prevailing laws of inheritance and governmental indifference, have made the average holdings in India mostly uneconomic. Consolidation of holdings, either by voluntary measures or by compulsory legislation as the circumstances of any particular area may demand, is, therefore, an urgent necessity. Attempts for consolidation can, however, yield fruitful results only by a gradual process, and these cannot by themselves find a solution of the problem of excessive pressure on land. Thus the need will arise for encouraging co-operative farming, as far as possible, while a large num-

ber of the people now dependent on land, which cannot support them, will have to be diverted to other occupations.

The socio-economic menace of excessive pressure on land will have to be tackled simultaneously by comprehensive and courageous measures. Low standard of education, want of adequate organisation, and meagre financial resources practically rule out the remedy through intensive cultivation and we must examine how far we can depend upon an extension of the area under cultivation. There yet appears to remain some scope for this, for, not more than 33 per cent. of the total land in India is cultivated and nearly 30 per cent. of our land is lying as cultivable waste. As population increases, more and more of this cultivable area would reach the margin of remunerative production. Reclamation of agricultural land should, therefore, form part of the economic policy of India. This reclamation should be proceeded with carefully and methodically, province by province. In certain cases, the State may have to undertake direct reclamation ; in others, subsidized reclamation may be quite sufficient and effective. This would depend upon the condition of the land, the difficulties encountered and the finance required. It is interesting to note what other countries more or less similarly situated are doing in this respect. In Italy, the State actively promotes the formation of associations of peasants for the purpose of co-operative land reclamation, and various concessions are offered to them. Holland has undertaken one of the greatest schemes of reclamation in modern times around the Zuider See. Palestine is the latest country to adopt a bold programme of extending the area of cultivation. In several parts of the British Empire, particularly in Australia and Canada, generous State assistance in one form or other has always been placed at the disposal of the pioneers in this matter. The Irish Government have been devoting energies to the draining of marshy lands and cleaning of bogs. In India we may adopt any or all of such measures as may be found necessary.

The development and improvement of agriculture in India is also largely bound up with irrigation. It is well-known that large areas of otherwise good land cannot be cultivated on account of lack of adequate water-supply. The North-West of India and large tracts of Central India belong to this category. There is yet a larger area in which the rain-fall is so uncertain and variable that the peasant

is practically at the mercy of a wayward monsoon. On the other hand, in areas of abundant rainfall, water becomes so uncontrollable that instead of being uniformly helpful, it not infrequently becomes a source of positive danger to crops. As a necessary concomitant of planned economy for improvement of our agriculture, we will have to tackle both these problems.

A complete irrigation survey and a programme of irrigational development based thereon including within its scope not merely the damming up of rivers and canalised distribution of water, but also schemes for well and lift irrigation should, therefore, form an important part of the Plan.

In recent years, certain of our agricultural commodities have shown a distinct tendency towards over-production. Jute is the most important of the crops in this group, unrestricted cultivation of which has led to very serious repercussions on the price of the fibre and the consequent impoverishment of the agriculturists. The question of a well-conceived regulation of the crop commensurate with its demand has, therefore, thrust itself into prominence and immediate action in this respect has become imperative in order to prevent a glut and also to ensure a fair price to the agriculturists. The case of jute should also serve as a lesson and a warning to us, and our plan for agricultural development should provide effective checks against the repetition of similar contingencies in regard to other agricultural commodities. The endeavour to fix a minimum price as in the case of sugarcane, would have been, it may be incidentally remarked, more apt and more effective in the case of jute. At the same time, we shall have to consider the suitability of other alternative crops that might be profitably cultivated in areas thus released from the cultivation of those crops, which are brought under any scheme of regulation and restriction.

In our plan for agricultural improvement the problems of marketing must next have our attention. These problems should be studied not only with a view to quick disposal of products but also to enable the cultivators to obtain the maximum possible price. The peasant's knowledge of the market and his holding capacity are too poor to enable him to sell his products to the best advantage. The inadequacy of transport facilities also considerably adds to his

difficulties. The dissemination of market information and the setting up of crops committees and organized markets, as recommended by the Agricultural Commission, would go a long way to remedy the first defect. But the solution of the problem relating to the poor holding capacity of the peasant is more serious and is essentially a question of finance. For this purpose, it would first be necessary to open warehouses all over the country where the cultivator may deposit his crop, and, on the security of warehouse warrants or receipts issued by them, raise the necessary finance. It is no doubt true that the absence of specified grades for particular commodities is a serious handicap in this respect, but that only suggests that this question should be simultaneously tackled along with that of warehousing. These measures would be of great help in steadying up the price of agricultural products and in protecting the agriculturist from the demoralizing influence due to his utter inability to hold over the crop.

The question of profitably employing the long and idle days that the peasant is forced to spend in the off-season has a great bearing not only on his economic life but also on his physical and mental welfare. The scope for developing subsidiary employment by either promoting new and small domestic and rural industries or by encouraging the mobility of agricultural labour has not been seriously tackled. Dairy, fruit and poultry farming and kitchen gardening have considerable potentialities in India, which need to be fully developed.

No agricultural plan, however, can be fully effective in India, unless it provides for adequate steps for a bold tackling of the problem of rural indebtedness. The Indian agriculturist is chronically steeped in debt. The rate of interest is unbearably heavy and the repayment of the major proportion of it is a remote possibility. It reacts in numerous ways upon the productivity of the land, the health of the peasant and the welfare of his livestock, and all talk of saving the peasant will be futile as long as this huge load remains unlifted.

Various plans and policies have been suggested but most of them only scratch the surface of the subject. The time for half-hearted measures and timid temporising is gone, and that for imagina-

tion and courage has arrived. The hope that a few lakhs of rupees thrown into half-baked co-operative credit schemes will solve this problem betrays too much of economic optimism. A planned attack on this menace by the adoption of such measures as the enactment of rural insolvency laws, composition of debts on either voluntary or compulsory basis, according to different categories of peasants, and establishment of land-mortgage banks, with the necessary preliminary of a debt survey, can alone cope with it effectively. The examples of Australia and Japan would provide most valuable guidance in the formulation of a suitable plan for India in regard to this. Simultaneously with this programme of redemption, due facilities will have to be provided through suitable banking institutions or co-operative societies, in order to enable the agriculturist to meet his future credit requirements, both for short and long terms. At the same time, every precaution should be taken to prevent him from sliding back into the old condition. He should be kept out of the temptation of dangerous and extravagant re-borrowing.

In many other countries agricultural associations have done much good to the peasants, and India might usefully take a page out of their book of experience. In Japan, agricultural associations are encouraged by the State and are vested with many privileges, membership of such associations being practically compulsory. If such associations are established in India, they would greatly facilitate the introduction of co-operative farming and the removal of indebtedness. They would serve also as excellent agencies for the collection of statistics and information and for conducting agricultural propaganda for the improvement of methods of cultivation. In fact, if properly conducted, they may provide the most potent influence in bringing about the necessary change in the outlook of our agriculturists.

INDUSTRY.

I shall now turn to the problems of Indian industry. Notwithstanding some recent indications of industrial growth, India is still, as judged by the standard of industrially advanced countries, very backward. That this should be so inspite of the fact that she possesses certain outstanding advantages, natural and otherwise, and that she has had the benefit of a long contact with advanced indus-

trial powers of the West, is indeed a very sad commentary upon the Government who have been directing the economic destinies of this country for so long. An examination of the industrial history of India during the last 50 years or more reveals what little use this country has made of her great industrial opportunities. No doubt cotton, steel, cement and a few other industries have made great strides in recent years; yet when compared with the vast market that still remains unfilled and the immense tonnage of raw materials still exported from this country only to come back manufactured, our lack of economic foresight and the absence of an industrial plan for the country become apparent. What is necessary, therefore, is that instead of sporadic assistance to individual industries, as and when they need it, or more often in answer to insistent agitation, this country should draw up in advance a complete programme of industrial development, suitable to her needs and in accordance with her available resources. Instead of treating the disease of the various limbs of industrial India, only as and when they show symptoms of severe economic ill-health, we must lay down principles of, what I may call, the industrial hygiene to be followed for the purpose of maintaining the economic health of the country.

The first step in this direction would be a general industrial stock-taking. We shall have to examine in detail the origin, history and development of all industries that have been established in India during the last 5 or 6 decades and also the difficulties with which they have been confronted and the results achieved. It will include cotton, jute, iron and steel, leather, chemicals, paper, glass, cement, sugar, soap, etc. Only a connected and simultaneous study of their position would reveal their basic problems and their common needs upon which must ultimately be based our new economic policy.

The Indian demand for industrial development is sometimes misinterpreted as an attempt to manufacture in India everything that we consume or require. Indian economic nationalism has never gone to any such absurd length or placed an exaggerated faith in the principle of economic self-sufficiency. Our aim is to manufacture within the country everything that it is possible to make on a reasonable economic basis and for which we have the natural facilities. For example, to aim at immediate economic self-sufficiency in motor cars or electrical generators would result in misdirection

of economic effort ; but there is no reason why this country should not produce every yard of cotton cloth, cement or paper or leather goods required. We can grow large quantities of rubber, but yet there is no rubber industry. We do not make even a pair of rubber shoes.

In our attempts to develop industries, we should guard ourselves against a potential danger of a lack of balance in the development of even individual industries. Without in the least desiring to raise the scare of over-production, it must be admitted that there is a tendency for certain industries to develop beyond the consuming capacity of their effective economic market. Such an outcome fraught with grave consequences should be avoided, and for this, a closer inter-provincial co-operation towards a policy of sound industrial development would be necessary. The danger of inter-provincial jealousy to the prosecution of a rational plan of economic development is by no means imaginary. The aim should be to afford to every province the fullest opportunities to develop its industries, avoiding the dangers of duplication and over-production. Such an objective alone will further the general economic interest of the country as a whole, and also help to evolve a rational industrial plan.

The essential preliminary for this purpose is a complete survey of our home market, that is, a clear and detailed analysis of the demand within the country for every kind of product that it is possible for us to manufacture in this country and for which we possess the requisite raw materials and other facilities. Even after having decided to produce those things for which we have the facilities, it would evidently not be desirable, perhaps not even possible, to start making them immediately or simultaneously. They would have to be taken up in a certain well-defined order. Logically, basic industries like iron and steel, chemicals etc. would demand our attention first, because the development of many other industries would depend to a great extent upon the materials and facilities made available by these. But our progress in this respect has been rather lop-sided, and in many directions inverted. Attempts have been made to build the super-structure before completing the foundations. Even in the rare instances where we have developed a basic industry, we have not taken adequate advantage of the facilities thus provided. For example, in industries like iron and steel, fair

progress has been achieved ; but the development of allied and subsidiary industries has been extremely slow and disappointing. Japan, with considerably poorer mineral resources, has not only built up a larger steel industry, but has also made rapid progress in establishing industries like the building of locomotive and rolling stock, ship-building etc. The whole picture is a good illustration of our lack of industrial vision, of the absence of an industrial plan.

A survey of the raw material resources of the country would come next. We have to consider both the quantity of material produced and the suitability of the quality. It would be easy to do this in the case of agricultural raw materials, but when we come to the mineral resources of the country, greater care and more expert treatment would be necessary. Special attention would have to be paid to the wasting assets of the country and the possible exhaustion of such resources as coal, oil, mineral ores, etc. In the initial stages, the quality of the raw materials may have to be given greater attention than the volume of its production. Suitable machinery to improve the quality of our raw materials and for their standardisation and grading would have to be established. It would be of interest in this connection to study the efforts that the Government of the United States of America have made and more especially the measures adopted by the Japanese Government in regard to raw materials. It is fairly well-recognised all over the world that the State has an important economic function in regard to the fixation and maintenance of proper standards and grades in raw materials.

The power problem of Indian industries is another subject which is likely to assume prominence in the future. India's potential power resources have not yet been completely surveyed ; but from what little information is available to us, it looks as if they are not so extensive or limitless.

For the present, coal forms the most important source of industrial power. The quality of Indian coal is certainly not the best and our resources are not commensurate with our future requirements. An additional handicap arises from the fact that our coal resources are not economically distributed but are concentrated in one big area. The incidence of transport charges upon such a low-priced material as coal has acted as a serious handicap to our industrial development. I feel that as regards coal we shall have to revise

all our orthodox ideas about freight rates ; these rates should be regulated in such a way that our industrial needs, and not the interests of the transport agencies, receive the first consideration.

It is also reported that coal-mining in India has developed in a thoroughly unsound and uneconomical way. Inefficient methods of mining, wastage and uneconomic working appear to be the general characteristics of the mining industry. No doubt some of these evils have been forced upon them owing to the peculiarly lean times they have had to face. Even so, one feels that the mining industry in India has neither a common organization nor an agreed common policy. Its history during the last three or four years bears witness to its complete disorganization and lack of a cohesive policy. It is highly to be regretted that its recent attempt to evolve some kind of organisation has not entirely succeeded. A mere scheme of restriction, however carefully laid down and successfully worked out, will not, I am afraid, be fully effective. What is necessary is a comprehensive plan of rationalisation to ensure minimum cost of production, maximum efficiency and least wastage. Many of our small, ill-equipped, financially weak and economically inefficient units may have to be amalgamated with others to form stronger and more capable units. Wasteful operating methods should be eliminated and uneconomic units closed down entirely. Regional reorganisation to control production and develop common marketing policy and methods are also essential for purposes of rationalisation.

It appears that India has committed serious mistakes in the location of power plants. It is generally admitted that within a certain radius of the coal fields it would be definitely more economic to generate power on the coal fields themselves and transmit it to the surrounding towns and industries, than to transport coal and generate power right in the consuming areas. The towns of Southern Behar, Western Bengal and Northern Orissa might have had cheaper power if it were generated by one or two giant plants situated in Jharia or Ranigunge. Apart from savings effected in transport of coal, it should be more economic to generate power in immense quantities. One is inclined to think, for instance, that the city of Calcutta and the industries that have grown up in and around it might have electric power at a lower price had the power plants been laid down right on the coal fields.

Poor as we are in coal, it is more encouraging to note that water power resources can very helpfully supplement our power requirements. Great and striking developments have been made in many parts of India during the last 30 years and even greater developments are under way. No doubt large parts of India and many important industrial areas are situated far away from coal fields, but many of them are near enough to sources of water-power. The entire upper Indo-Gangetic valley would appear to be an area that could economically be better served by the sources of water power from the Himalayas. All these require thorough investigation.

The installation of plants for generating hydro-electric power involves very large initial expenditure and, from the very nature of the work, such undertakings cannot yield profit during the first few years. It is, therefore, difficult to attract private capital and enterprise to these projects. Consequently, development of such schemes, wherever possible, should be undertaken by the Government.

Oil resources of India are considered to be very inadequate. Burma can supply the entire requirements of the country ; but, for obvious reasons, it would not be wise for us to depend upon her. In the first place, her oil is controlled entirely by powerful foreign corporations. Secondly, powerful and open manoeuvres are being made by British vested interests in Burma and their strong supporters in London to separate Burma from India. Greater attention should, therefore, be paid to the possibilities of whatever oil resources are situated within India itself. Their exploitation should be strictly controlled in the national interest and should not be allowed to pass under foreign control, nor should they be allowed to be exploited by private individuals or corporations of the country itself without regard to the wider interests of the nation. The importance of effective national control of such resources is clearly revealed by the experience of other countries, such as the United States of America, where the unregulated operations of the oil barons nearly sucked the country dry of oil.

Adequacy of capital resources will also have a great bearing upon the pace of India's industrial development. Future industrial units will have to be larger in size, and ampler in resources, if they must withstand foreign competition. In recent years, great strides

have been made in other countries in this direction. They have either increased the capital of existing units or encouraged them to combine in order to form larger and more powerful organizations. The size of the average industrial unit in India is still so small as to prevent the achievement of maximum efficiency. Our industrial magnates and promoters must now begin to think and plan in a big way, so that, in future, industrial units of inadequate size may be established. In certain industries, however, like weaving, toy-making, manufacture of cycles and other types of small machines with standardised parts, it is possible to have comparatively smaller co-operative units, each concentrating on the manufacture of one or two parts or upon one process, the final assemblage or finishing being done in a big plant. Japan's industrial organization is largely based on such a plan. It avoids the dangers of too great concentration of industries in a few places and facilitates helpful economic decentralisation.

The capital resources of India are considered to be very inadequate. Even though, for argument's sake, it is admitted that India's capital resources are not large enough, it is undeniable that they have not been tapped efficiently or systematically. The ordinary haphazard method of company promotion and finance-finding will not help us very much, because this depends, for the most part, upon a comparatively small group of individual financiers. We must cast the net wider and gather the small amounts that lie scattered over the entire face of the country. This cannot evidently be done by the traditional methods of company promotion. Some sort of institutions for industrial finance will have to be established. They may follow the lines of the Trust Companies in America or the Industrial Banks of Germany and Japan. State assistance and State encouragement would be necessary in the initial stages. This is a question which vitally affects India's industrial development and would have to be considered along with the bigger problem of the reconstruction of the entire banking organization of India, to which, let us hope, the new Reserve Bank will address itself without much delay.

The problem of foreign capital raises a number of vexed and complicated issues. While Indian business opinion will not object to the investment of foreign capital in India and may even welcome it, any attempt at its domination of India's economic life will be

strongly resented. Realising as India does the evils of dominations of foreign capital, especially as illustrated in the painful economic struggles of some of the backward countries like Mexico and Persia, she must be careful that while she allows foreign capital to come in, it should not be permitted to create problems that might endanger the country's economic peace or, worse still, its economic freedom. Indian opinion differs fundamentally from the policy expounded by the Secretary of State as regards control of the operations of foreign concerns in this country. The necessity for orderly and disciplined development, and not the desire to restrict and injure them, is the real object of control of foreign concerns. This question cannot be left any longer hanging in the balance. The Government and Indian commercial opinion should lay down the exact conditions and terms on which foreign capital may be invested in this country.

The human element in our industry has been sadly neglected. Neither in the higher managerial and technical departments nor in the lower skilled labour ranks have we tried to ensure the highest efficiency by a system of industrial education and apprenticeship. The comparative industrial inefficiency of India can be remedied to a great extent by training and education organized on scientific lines. To increase the general level of intelligence and efficiency the spread of primary education should be encouraged.

The condition of our labourers needs to be considerably improved. Their standard of living should be raised by providing for better housing facilities, general education and other social amenities. An economically better-off labour force would help industry not only by improved efficiency but also by so much larger consuming power, that is, both as a producer and a consumer.

Our company law is in many respects out-of-date and needs considerable modifications in order to adjust it to the newer problems and developments. The system of managing agency, as has been universally asserted, requires to be thoroughly re-examined in the light of experience and altered circumstances.

The nature of governmental assistance needed for the development of industries would vary according to their character. There are certain industries, which, by the very nature of capital required,

risks involved or importance to national economy, will require direct State initiative *e.g.*, the construction of railways, big power plants, expensive housing schemes for the labourers, etc. There are still other industries which may, in the main, be left to private enterprise, and would only be in need of some manner of State assistance. Such assistance may be either direct, *e.g.*, provision of facilities for raising or securing capital required, or indirect, *e.g.*, a sympathetic stores purchase policy and the grant of subsidies or imposition of tariffs against foreign competing products. The development of the metallurgical industry of Japan is due very greatly to direct State initiative. A policy of State subsidy to shipping has been resorted to by Japan, Germany and America. It is, however, necessary that the form of assistance as well as the granting of it to deserving interests should be determined in accordance with some plan. If we must favour a protective policy, it should be adopted, not piecemeal, but in accordance with an all-embracing and scientific plan.

TRADE.

(INTERNAL).

Although foreign trade generally receives greater attention in economic discussions, it is necessary to realise that, as far as India is concerned, her internal trade, like that of America, is of much greater value and importance. Accurate estimates of either the volume or the value of internal trade are not available, but it would be no exaggeration to say that the value of our internal trade (including coastal trade) is at least twenty times more than that of our foreign trade. That gives us an idea of the importance of that branch of our trade, the necessity for its expansion and the economic consequences of its neglect.

At the outset, I must say that the Government have paid very inadequate attention to the development of internal trade. The fact that they are vitally interested in India's foreign obligations has induced them to pay almost exclusive attention to foreign trade to the neglect of the problem of the expansion of internal trade. This was, perhaps, also due to the fact that the British business community have much larger interests in the foreign trade than in the internal trade of the country.

This underlying economic policy influenced, in a large measure, the development of the Indian transport system ; the railways were originally built mainly with the object of transporting quickly and cheaply the raw materials grown in the vast interiors of India to the ports for export and to move imported goods from the ports to upcountry parts. The geographical lay-out of the railways and their development bear testimony to it. Inspite of recent attempts to vary this basic policy of railway development, the influence of the old policy still persists.

The lack of an internal trade policy—which, in the ultimate analysis, means the absence of a trade plan—has produced the most curious economic anomalies and misfits. Certain commodities are imported into India, while similar commodities grown in the country are exported abroad. For example, only a little while ago, Australian wheat used to be imported into Calcutta, whereas Punjab wheat had to be exported through Karachi to England. Bengal coal has to seek export markets through Calcutta, while South African coal is imported into the Western Presidency. That Indian commodities should be forced to seek foreign markets while identically the same commodities are imported from abroad is a significant commentary on our freight rate policy as well as on the utter lack of any sensible plan.

The other chief impediment to the development of internal trade is the lack of adequate financing facilities. With the extension of Indian banking to the interior towns, internal trade has certainly received some encouragement, but the number of such banks being yet too small, the banking facilities available for the internal trade are extremely meagre as compared with the total requirements. Not until a wider bill market and a keener banking habit are developed can internal trade grow to its fullest extent.

It should be fully realised that our internal trade, important as it is even to-day in volume and value relatively to our external trade, must still be very much more developed. For, Indian industries must grow at a fairly rapid pace and their success would depend largely upon exploiting the internal market to the fullest extent, in other words, upon the development of facilities for the movement of goods from one part of the country to another. In our

country, happily enough; nature seems to have provided some excellent opportunities for the exchange of commodities between one part of the country and another—that is, for natural division of labour. Jute, Cotton, Oil-seeds, Wheat, Tea, are all grown in fairly well-defined separate regions, and any facilities given for the mutual exchange of these commodities are bound to increase the internal trade of the country. Similarly, the major industries of India like cotton, cement, iron and steel etc., are located in accordance with the natural advantages possessed by certain areas, and the encouragement given to a wider distribution of their products in India would ultimately increase the volume of internal trade.

What is necessary, therefore, is to plan out the development of internal trade. Its present volume requires careful calculation, and having ascertained this, the scope of its further development should be investigated.

Having decided to expand internal trade, our next attempt should be the removal of the existing obstacles like high freight rates, differential excise duties etc., and the establishment of conditions conducive to its steady development. A re-orientation of the freight policy of the railways and a revision of the principles underlying it should be the first step. The provision of better financial facilities must follow. The new banking structure of the country that will be built after the establishment of the Reserve Bank shall have to give due attention to the needs of internal trade, in particular, to the problem of providing facilities for discounting internal trade bills. The abolition of annoying local duties, which threaten a potential impediment to the development of internal trade in certain parts of India, must also engage our attention.

(Foreign Trade).

While it is obvious that we should seriously address ourselves to the task of creating conditions for the steady and unhampered development of the internal trade of the country, it is well to remember that we must, at the same time, develop and expand our foreign trade, particularly our exports, in view of the fact that we have heavy annual external obligations to meet. An expanding export surplus is consequently a necessity for India not only to meet our immediate requirements of foreign goods, but also for the pur-

pose of steadily diminishing the volume of our foreign obligations. The growth of our foreign trade during the present century is certainly encouraging but the shrinkage in India's percentage share of world's trade, in recent years, which can hardly be explained by the present depression, is a disquieting feature of her foreign trade demanding organized efforts for its redress and improvement.

By far the preponderating proportion—not less than two-thirds —of our export trade consists of raw materials and "food, drink and tobacco." It reveals India's predominantly agricultural economy, indicating how any serious diminution in the volume of her exports would react disastrously upon the mass of India's agricultural population.

Another unwelcome feature of India's foreign trade is the preponderating importance of a few countries. England, Germany, France, America and Japan between them account for more than half the total value of India's foreign trade. The danger of thus putting too many eggs into a few baskets should be obvious.

In recent years India's export trade has been meeting with severe competition from other countries, especially in commodities like oil-seeds, hides and skins, rice and manganese. Jute and shellac, on the other hand, are threatened by actual or potential emergence of substitutes. Our export of manufactures is also encountering serious competition. Our exports of cotton textiles have almost been wiped out by Japan ; and exports of Jute manufactures are threatened by foreign discriminatory tariffs imposed by several Governments with the definite purpose of encouraging imports of the raw fibre and its manufacture within their own countries.

The problems of our foreign trade thus pertain to both the maintenance and expansion of our markets abroad and it requires closer study and the continuous attention of the Government. The volume, the direction, the competition encountered, and the facilities needed—all require careful watching. At the present moment, the functions of the Government of India in this respect cease with the collection and publication of foreign trade figures. There is no organisation whose duty it is to watch the tendencies revealed by these figures and take necessary steps in the national interest. The present Department of Commercial Intelligence is ill-equipped for

that purpose, and without any further delay, machinery should be set up conforming to a real Board of Trade. Until such an institution is set up, the planned development of our foreign trade would be almost impossible. This is all the more important in these times when the fiscal and commercial policies of foreign countries are undergoing rapid changes with their inevitable reactions upon our own foreign trade.

During the last few years, the development of foreign trade by trade agreements between countries has become a widely accepted method. Nearly every European country of any importance has entered into one or more of these agreements with their customers. The main features of such agreements have been the most-favoured nation treatment, export and import quotas or exchange clearing arrangements. They have not only led to the lowering and simplification of tariff barriers between the countries entering into such trade-understandings, but have also tended to increase the volume of trade between them, by facilitating the exchange of goods mutually advantageous to them. An approximate approach to such methods was made in the series of Agreements entered into at Ottawa between the various parts of the Empire. While the method is unexceptionable, it must be said that, as far as India is concerned, the actual agreements were hastily concluded with insufficient knowledge and preparation by persons whose greatest handicap was a basic misconception of India's foreign trade position. This has been proved by subsequent events. The Ottawa Agreements were only the starting point for the United Kingdom and other parts of the Empire to enter into a network of economic understandings with non-Empire countries. England took the lead and concluded a series of carefully planned agreements with a large number of other countries such as Argentine, Germany, Norway and Sweden, while a similar agreement was entered into by Canada with France. So far as India is concerned, the possibilities of evolving such agreements have so far been practically neglected, and this bears an eloquent testimony to the absence of any real trade policy on the part of our Government. The recent Indo-Japanese Agreement marks a departure in this respect but even this Agreement was not, as I have already pointed out, the outcome of a pre-determined plan calculated to expand the foreign trade of India. The Bombay-Lancashire Pact is worse than futile, judged by the criterion of trade expansion.

The most important part of a trade plan for India would, in the present circumstances, consist in the negotiation of commercial agreements with her foreign customers on a strictly scientific basis, securing real advantages to the interests of this country. A complete survey of the possibilities of such agreements should first be undertaken. The Agreements concluded at Ottawa may, in the light of experience, require fundamental alteration in order to serve Indian interests better. The possibility of the greater expansion of India's trade outside the Empire than within it should be kept in view, and mere political affiliations should not be allowed to stand in the way of its realisation.

The policy of appointing Trade Commissioners abroad has been accepted by the Government. For financial reasons, its extended application has been delayed. In view of the increasing complexities of foreign trade and the keener competition experienced by our products abroad, the watchful assistance of Trade legations is essential. Without further delay, Trade Commissioners should be appointed in the Far East, the Middle East, East Africa and America. A definite policy should be laid down for developing a really efficient Consular Service, manned by well-trained and experienced people.

One discouraging feature of India's foreign trade is the small share of Indians in it. Apart from ignorance of foreign conditions and traditional economic conservatism, the absence of an Indian exchange bank is the most serious handicap. There is no dearth of Exchange Banks in India, but they are all foreign institutions and the Indian merchants cannot hope to, and do not, get the same facilities from the British, American or Japanese Banks, as a Britisher, an American or a Japanese gets from the bank of his own nationality. Japan realised very early that an exchange bank of her own was necessary for developing her foreign trade and for increasing the share of her own nationals in it. She started an exchange bank fully backed by her Government. I am convinced that, on identical grounds, an Indian exchange bank should be established with adequate assistance from the Government.

TRANSPORT.

In a large country like India internal transport is of much greater importance than in a small country. The transport problems of

a country of long distances consist mainly in the carriage of goods and passengers quickly, and cheaply, consistently with efficiency. The system and methods of transport now serving India should be tested by this standard, and it would be generally found that they would not come out of the test quite well.

In the machinery, policy and organisation of India's transport there are glaring inconsistencies and anomalies. Nowhere does one find a unity of purpose, a co-ordination of services or a desire to obtain the maximum benefit out of whatever natural facilities the country may provide. Railways compete with railways, and railways combine to compete with waterways. Waterways compete with railways, and coastal sea transport agencies try to take trade away from railways. An unholy war is further waged between railways and road motors. While this struggle is in full swing the country looks on unconcerned and the Government are slow in moving. Every day of inactivity adds to the confusion and renders the establishment of a co-ordinated internal transport system more and more difficult.

Let us first take the road-rail problem. Its gravity is recognised. The Mitchell-Kirkness Report was published last year and was followed by a transport conference at Simla ; but no action has yet been taken. A large amount of the taxpayers' capital is invested in the railways. They are and will continue to remain for a long time to come the main artery of transport. The nation can therefore ill-afford to let them suffer ; on the other hand, road motors offer, in certain cases, distinct advantage over the railways, and public convenience cannot be long ignored. The difficulty has been aggravated owing to a large proportion of our metalled roads running parallel to the railways.

We must approach the problem of road-rail competition with an open mind tempered by a recognition of the realities of the situation. Theoretically, and on mere considerations of efficiency and services rendered, road transport may in certain cases be preferable to railways. To argue the case for the actual scrapping of railways in favour of motor transport on the basis of this consideration alone may be inadvisable unless, of course, the retention of the railways involve a disproportionately heavy burden on the taxpayer. I have already said that the railways represent a huge amount of the tax-

payer's capital and still constitute the main artery of transport. These facts demand sympathetic and careful consideration without, at the same time, bolstering up and perpetuating inefficiency. I am, however, quite alive to the fact that it may be profitable to close down certain light railways in favour of motor services. In fact, it is the light railways which are most exposed to road competition, and their place in the future transport system of the country should engage our serious attention. Co-ordination of road and rail services would considerably mitigate the acuteness of the problem of road-rail competition. A partial solution will be found in the development and construction of roads running transverse to railway lines, which would act as feeder routes to the railways and would also widen the available areas of exploitation of the motor transport industry. Such a road development policy is further needed in the interests of our agriculture, to enable it to take advantage of quick access to competing markets. In view of all these considerations, I need hardly impress upon you the need for closer co-ordination between road and rail services, in fact, between all the different systems of transport, in the interest of the community and the taxpayer.

Even as amongst the railways themselves, the absence of co-operation in policy and co-ordination in operation is causing serious maladjustment and considerable economic waste. Our railways, unfortunately, are not administered as the hand-maid of commerce and do not serve the interests of a national economic policy. They are run either by Boards in London, in whose calculations considerations of India's economic development have never been prominent, or by officials in India who have not generally been inspired with a spirit of service to the country and its people. Their agents, representatives and servants have been characteristically unresponsive to either the claims of Indians or the demands of Indian industries and trade.

The railways directly managed by the State are perhaps slightly better in this respect, but even they have not been able to get out of the peculiarly anti-national tradition of the previous company managements. A real and fundamental change in outlook and the bold adoption of a new policy conducive to national economy are urgently needed.

Nowhere is this more keenly felt than in the freight policy of Indian railways, to which I have already made some reference in another section. Our railway rates had so far been mainly based on a policy of encouraging foreign trade and traffic to and from the ports. Circumstances, however, have changed and are fast changing and our internal trade is playing a more and more prominent part in the national economy. The basic policy of our railway rates, therefore, requires thorough revision, in the light of the newer industrial developments and the agricultural needs of the country.

It must also be pointed out that our railway administration is modelled on a somewhat out-of-date British system and is in need of change. Even British railways have, during recent years, been thoroughly reorganised and their technical administration reconstituted. German and American railway administrations likewise have been completely overhauled to meet new demands and solve new problems. It is regrettable, however, that similar rejuvenating methods have not been seriously taken up in India as yet.

Regarding the recent proposals to vest the administration of Indian railways in a Statutory Railway Board there may be some degree of agreement in principle, but the creation of such an *imperium in imperio* cannot be acceptable to Indian opinion so long as the prevailing inequities and discriminatory practices prejudicial to national interests are not removed. In an anxiety to free the day-to-day railway administration from political influence of Indians, it would be unwise to accept a situation that will necessarily mean perpetuation of present evils and continued domination of British politics over Indian Railway administration. The Indian Legislature can ill-afford to give up its control over their general policy. False principles and misleading analogies should not deflect us from the supreme duty of ensuring a truly national transport policy. The Indian Railway authority, be it the Statutory Railway Board or otherwise, should be constituted by the reformed Indian Legislature in a manner that will provide for effective control and guidance of the Legislature, not in the day-to-day administration, but in the general policy and administrative arrangements of our railways from the point of view of national economic development.

The development of inland water transport is still in an exceedingly unsatisfactory condition. Exaggerated importance has

been bestowed upon our railways and the importance of our roads and water-courses in the scheme of India's transport has not been properly realised. This is perhaps due to the fact that a large amount of British capital is directly invested in the railways and great influence is wielded by railway interests in the counsels of the Government. It should be recognised, however, that inland waterways are particularly well-suited for the transport of India's bulky raw materials and grains, and water transport has great potentialities in many parts of the country, notably Bengal and the Punjab.

The condition of India's coastal sea transport reveals a dismal picture of the unhealthy domination of foreign interests and high freight rates. The question of the reservation of coastal trade is a live issue of great economic consequence, and will demand our serious attention in the future. A matter of national economic necessity cannot long be allowed to be decided entirely by political considerations. The development of a national merchant marine is, in the condition of the world to-day, highly desirable and necessary. I have always felt that shipping occupies a pre-eminent place in our national economy.

The ship is a link in the chain composed of banking, insurance and commerce which binds the exporters to the importers. No country which is entirely dependent for the transportation of its overseas commerce upon the shipping of other countries can enjoy freedom or certainty of movement of cargo or expect reasonable freights it will have to pay. National shipping not only removes this disability but does often come to the aid of indigenous industry and commerce directly. As a matter of fact, even though our indigenous shipping is still in its infancy accounting for only about 23.7% of the entire tonnage engaged in the coastal trade of India, it has rendered great assistance to several Indian industries, large and small, such as steel, cement, sugar, Indian chemicals and drugs, flour, strawboards etc., by the offer of concessional rates. The rates policy of a national company would naturally be guided by considerations of assisting the development of Indian industries not only in its own interest but in the wider interests of the country with which its prosperity is ultimately bound up. Unfortunately, there is at present no Indian company employing vessels in the overseas trade of India, with the result that in the foreign trade of India the exporters or

importers are entirely dependent on non-Indian transport services. The consequences of such dependence have been recently illustrated in a vivid manner in the inability of Indian shippers to secure tonnage for shipment of Indian cotton to Japan after the Indo-Japanese Agreement was concluded. I am glad that some of these drawbacks have been receiving the attention of the Government of India. But I should point out that until shipping services are co-ordinated with the needs of exports and imports of the country, as in the case of Japan, such maladjustment and consequent loss to our agriculture, commerce and industries are bound to continue. It is this realisation of the economic importance of a mercantile marine that has led a number of countries since the last War to build up their national shipping. The merchant marines of America, Germany, Japan and the Fascist Italy have all been developed with State assistance of one kind or another. Even Britain is often forced to adopt a policy of assisting shipbuilding and safeguarding British shipping, and British mail-contracts have always been utilised for the purpose of developing trade routes. It is, therefore, essential that in any scheme of planned economy the place of shipping as an adjunct to trade and industry should be fully realised and adequate measures taken to co-ordinate it with the economic development of the country.

The problem of aerial transport has received practically no attention in India. The question of air transport as a commercial proposition is, of course, still in its very infancy. But this provides us with the opportunity to see that commercial air transport does not develop in a chaotic fashion leading in future to serious problems of uneconomic competition with railways as in England and America. Our aerial transport should be so planned and developed that it may serve the best interest of the country, by forming an important link in our transport system. The road-rail tangle should warn us against the development of another vexed problem of air-rail competition.

A survey of the transport map of India, to-day, betrays a lamentable lack of policy, and impresses the urgency of a co-ordinated development of all the various transport systems with a view to avoid waste and ensure efficiency. For this purpose, a Central Ministry of Communications should be constituted, and every Province should have a Department of Transport working under the general guidance of the Central authority.

CURRENCY, EXCHANGE AND BANKING.

Nowhere are results of an ill-planned policy more apparent than in regard to the currency and exchange machinery of India. It has ever been a case of haphazard experiments on just wrong lines. Commissions and Committees have been appointed, have reported and made sundry recommendations; wherever such recommendations were to the detriment of the country, the Government never hesitated in taking action. Wholesome recommendations were never acted upon. Warnings and protests were lightly brushed aside; and all that happened to the reports of the various enquiries was further deterioration of the currency machinery with greater injury to national interests.

In broad terms, it may be stated that suggestions for the establishment of gold standard, even when made by expert committees, were unacceptable to the Government of India. On the other hand, fantastic proposals regarding the exchange value of the rupee were acted upon with indecent haste. It is the fad of a high ratio that has governed the monetary outlook of the authorities. Early in the last decade, a two shillings ratio was placed on the statute book in the teeth of universal opposition. Millions of pounds were wasted in the futile attempt to prop up an impossible ratio. This ridiculous experiment lasted for six months. Only after the Treasury had incurred a direct loss of over Rs. 55 crores, the Finance Member threw up his hands and said that it was no longer possible to maintain the two shillings ratio. This disastrous experience did not teach anything to the Government for, again, an equally disastrous ratio of eighteenpence was forced on the country in 1926, despite the strong expression of opinion against it from all sections of Indian opinion. The maintenance of a ratio far higher than was justified by intrinsic conditions necessitated a ruthless pursuit of an inexorable deflationary policy. The country was subjected to repeated doses of contraction. Total currency contraction between 1927 and 1931 came to no less than Rs. 100 crores. Every endeavour was made to infuse and maintain extreme stringency of money. Furious borrowings at fantastic rates were the order of the day. Trade was penalised just in order that the Government might persist in their fetish. Matters were heading to a crisis and the Government would again have had to throw up their hands and confess themselves beaten if it

were not for Great Britain's abandonment of gold standard in September, 1931, which gave them relief at just the critical moment and which enabled them to save their face. But the Finance Member would not avail himself of the opportunity thus offered in the way which prudence should have dictated. India could have anticipated the currency experiments, which, in later months, countries like Japan, New Zealand and the U.S.A. were to inaugurate with immediate and beneficial results to themselves. Great pressure was brought to bear upon the Indian authorities that the occasion offered by the divorce of sterling from gold should be utilised for the re-adjustment of the external parity of the rupee. Protests and appeals were of no avail. And so we come to the present, with the rupee maintained at 1s. 6d. sterling not by natural support of merchandise surplus but by the artificial prop of shipments of distress gold.

In any economic planning from the point of view of money, the prime consideration that should be kept in view is an entire change in the mentality and outlook in currency matters. All this talk of the sacrosanctity of the rupee must end. We should refuse to be parties to making a fetish of stability of exchange. We should devote more attention to the importance of a smooth-functioning currency standard. Let us by all means have a stable ratio. But let us give up all thought of having a ratio stable for all eternity. Sir Basil Blackett, himself the author of the eighteenpence, would be the first person to scrap this ratio if he was the Finance Member to-day. Sir Basil, who argued so bravely about the supreme importance of a stable ratio in 1927, had changed his views by 1933; and he has nothing but ridicule for the fetish of a stable ratio. Mr. J. M. Keynes visualises the future as one in which we should be free to make minor alterations in the par of exchange so long as every attempt is made to maintain stability over a limited but short period of time. Instead of the ratio engaging all the attention and demanding all the resources, it is the perfecting of the currency standard to which the Government should set their hands. While, under present conditions, we can have no objection to a sterling exchange standard, we should make it clear that the moment countries like Britain and the U.S.A. have definitely re-established gold standard, India should forthwith alter her currency mechanism from sterling exchange standard to gold standard.

Meantime, even the working of sterling exchange standard must be free from needless interference and manipulations. Any currency standard in which the link of national currency is with an external paper currency can be, at best, only managed currency. But let it not be a case of mismanaged currency. In another context, I have referred to the way in which the remittance programme is being utilised for the enforcing of a deflationary policy. In reference to the standard, the currency authority undertakes two statutory obligations, namely, the obligation to sell sterling at the lower point and the obligation to buy sterling at the upper point. In between, the Government have perforce to buy sterling at rates lower than the upper point as they have to accumulate sterling resources for the Home Treasury. If the accumulation of such sterling resources is done in a way that defeats the purpose of the upper point, this means clearly that the currency standard is being worked by the authorities in a way that is opposed to scientific practice and is at variance with statutory obligations.

The essence of planned money is the adoption of a currency standard which will function smoothly, both in relation to internal and external conditions, and which will permit the least possible interference from or manipulation by the authorities entrusted with the working of the standard. There should be full scope for action and re-action.

By far the most important feature of economic planning is the planning in monetary matters. In the absence of planned money, prices of commodities will be subjected to fitful influences, trade and industry could not have the assurance of adequate finance at reasonable rates, and confusion would prevail in the capital, gilt-edge and exchange markets. The well-being and prosperity of all the sections of the community are profoundly affected by the way in which the currency authority controls the standard, supplies or withdraws currency and otherwise undertakes varied operations which affect the value of money and prices of goods. The currency mechanism can either do great good or great harm according as it functions in a wholesome or unwholesome fashion. The good, it can do, embraces the entire country and no section of the population remains unaffected if harm accrues. It is for this reason that the utmost emphasis should be laid on a correct and scientific plan for money.

In the evolution of a proper currency standard, our authorities should revise their ideas as regards the proportion of gold in our external reserve. Conservative in every other respect, and fighting shy of experiments in every other sphere, the Finance Member has, however, professed ultra-modern ideas in regard to gold. Gold is not a fetish to him. It is sterling that is the be-all and end-all. He visualises a day when countries which have been grabbing all the gold that they could lay their hands on would be sorry that they did so. In this view, Sir George Schuster has no use for even the policy of Great Britain. While England has been rapidly strengthening her gold reserve in the period following the abandonment of gold standard, the Indian Government have allowed gold to flow out of the country, without any attempt on their part to secure a portion for the strengthening of their currency reserve. From the published figures in the Bank of England returns and from the reported accumulations of gold in the Exchange Equalisation Fund, it may be said that Britain has gained an additional £ 150 million of gold within 2.1/2 years. India, on the other hand, has exported gold to the amount of Rs. 175 crores. Our currency reserve has not gained one ounce of gold during all this period. We are asked to feel very pleased with ourselves as sincere philanthropists who have helped international finance by exporting gold without let or hindrance. If it is certain that the important countries of the world would go back to gold standard as soon as conditions permit ; and if, therefore, it is essential that India too should re-establish gold standard, the present attitude of the Government in regard to gold exports must be considered extremely detrimental from the point of view of planned money. There must be definite plans for the acquisition of gold on account of the currency reserve for such amounts as would ensure the smooth functioning of gold standard in a country which has two kinds of notes in circulation, namely, paper notes and silver notes ; and which has an annual recurring liability of about £ 30 million by way of overseas commitments.

In this, as in other matters, the currency policy of India has been fashioned at the dictation of Whitehall and in the interests of the City of London. It is negligence of the Indian interests and policy of drift which have most adversely affected the economic life of India ; what is worse, it has seriously jeopardised the prospects of satisfactory reforms in the future. The conflict between the cur-

rency system of India and the larger economic interests of the country has become more and more pronounced. Considerations connected with our foreign obligations have exerted undue influence over the outlook of the Government, and they have failed to realise that the best guarantee for a proper discharge of such obligations can be provided by stimulation of our export trade and expansion of our favourable balance, to both of which the high ratio has proved a serious impediment.

From a survey of the history of the past, it is obvious that we have had no plan or definite aim in currency and monetary affairs. Those who have been shaping the currency and exchange policy have been content to live for the day. They have evinced no desire to place it on a suitable and permanent basis; yet, of all issues affecting the economic destiny of a country, nothing requires more urgently and more imperatively to be placed on a definite and permanent basis than currency and monetary policy.

Although the canons of a sound currency system are universal in their character and are fairly well-known, the principles which in the circumstances prevailing in India, should be regarded as most important to the policy best suited to this country, need to be fully emphasised. We should aim, in the first place, at a comparative stability of internal price level. As I have already stated, less attention has been paid to this most important consideration, and, not infrequently, it has been absolutely ignored in the anxiety of the Government to maintain a stable exchange value. A fair measure of elasticity should be one of the essential characteristics of our future exchange and currency policy. Special attention will have to be paid to the fact that seasonal variations in economic conditions are very marked in India. Lastly, our currency and exchange plan should be entirely under our own national control; in its management interference from abroad and international influences should be eliminated as completely as possible.

Further, we should aim at a co-ordination of the currency and credit policies of the Government which are now conspicuous for their complete divorce from each other, not infrequently reacting most disastrously on the internal price level. The establishment of the Reserve Bank is expected to solve the problem to some extent, but with very little effective control of the Reserve Bank over ex-

change, its complete control over the currency policy will be doubtful. Besides, the influence of the Treasury Bills policy of the Government over the volume of money in circulation cannot be ignored. Money is at present pumped out and pumped into the market at the discretion of the Government, often with scant regard to the effect of such actions on price level. The plan for our future currency and exchange policy of the country will have to provide for safeguards against such unsettlement of the market.

But the efficient functioning of our monetary standard will depend, to a great extent, on a re-organisation of the entire banking system of the country. The banking structure of India lacks homogeniety and cohesion. When the modern system of banking was introduced in India in the second half of the 19th century, there was already in existence in the country a much older indigenous banking organization which, with all its faults, its out of date methods, its unprogressive outlook, was performing a very useful economic function. The new banking structure was superimposed upon the old edifice and no attempt was made either to make the old organisation the basis of the new structure or to induce the new system to utilise fully the materials, resources and the organisation already in existence. The development of modern banking in India, therefore, is in a real sense exotic. We have, on the one hand, the village money lenders, the bigger sowcars and mahajans and the rich and influential banking houses in the cities and towns. After them have grown up the Indian joint-stock banks, most of them fairly well-managed but with modest resources, and some of them working on the most modern principles and with ample resources. Thirdly, there are the big foreign exchange banks situated for the most part in big cities but possessing extensive and influential connections with up-country centres of trade also. Above them all stands the Imperial Bank of India, a sort of quasi-central bank, performing many of the functions of such an institution but, in reality, a large commercial bank with magnificent resources, ramified branches and vast influence, transacting an immense volume of business in competition with the other banking institutions in the country. Smaller public banks and richer private bankers work in a kind of affiliation to this bank and are in a very real sense dependent upon it.

There is a fairly close understanding among the exchange banks and they work with a certain amount of co-ordination. Their rela-

tions with the Imperial Bank are also fairly intimate and there is ample evidence to say that they have enjoyed the confidence of the Imperial Bank. In the beginning they were established in India with the sole object of financing the foreign trade ; but, as time went on, they discovered the possibilities of doing inland banking business as well, of developing the deposit side of their activities and the financing of internal trade. In recent years, therefore, the Indian joint-stock banks, most of which are not engaged in the business of financing foreign trade, have begun to feel keenly the competition of these powerful foreign rivals.

This is the picture of the working of the organized banking system of the country. It will be readily seen that, under such an organisation, a co-ordinated banking policy is impossible of achievement. Till now there was no central authority which could lead or advise and, if necessary, enforce the banking policy and methods. There is no doubt that this serious defect will be rectified as a result of the enactment of the Reserve Bank Bill. But the Bill as passed will not bring the millennium. Immense benefits could have been reaped had the Bill been framed purely from economic considerations, and had not extraneous political considerations affected the whole issue. The constitution and management of the Bank can hardly be deemed satisfactory, nor are its functions calculated to inspire much hope and confidence in the banking world. It is apprehended that its relations with the Imperial Bank will make it impotent against any policy that might be pursued by the latter in order to counteract its credit policy. The vast number of indigenous bankers have been left out of its sphere of influence, and it is difficult to see how the operations of the rural money markets can be co-ordinated with those in the cities.

So far as the wider questions of banking development and the credit policy are concerned, the Reserve Bank, even if it had been an ideal institution, could do little in the matter of acting as the monetary authority, without there being a network of banks in the country. The number of cities having a banking office is too small as compared with the total number of cities in the country. A considerable number of towns, not to speak of villages, have no modern banking institution and it is necessary to establish a large number of commercial banks spread throughout the country. As I have

already stated, banking development of the country, meagre as it is, has been entirely lop-sided. Industry and agriculture have been sadly neglected. The need is at present keenly felt for developing a more diversified system of banking by the establishment of banks of all kinds, for financing agriculture, industry (both for long term requirements, as well as for short period), and trade (both internal and foreign). To bring all these banks within the orbit of the effective influence of the Reserve Bank, it will be necessary to establish discount houses and licensed warehouses. The absence of a bill habit has resulted in the popularity of the system of cash credits which is at present a weak link in the banking system of the country. The problems of loan offices in Bengal and Nidhis in Madras and the problem of indigenous bankers remain also to be solved. Reform of these agencies must be made an essential feature of planned money.

PUBLIC FINANCE.

The lack of plan has also characterised the administration of Indian Public Finance, but before any suggestion can be made, it is necessary to take into careful consideration the probable future trend of the existing sources of revenue. A review of the past and the present reveals the fact that India's sources of revenue have changed from decade to decade in point of importance and yield and have forced upon the Government the necessity of tapping fresh resources for the augmentation of revenue. Every growing country has got to face this problem at every stage of its progress and as India stands now at the threshold of political reforms and in view of the necessity for a planned economic development of the country urged by me in the foregoing pages, her scale of public expenditure is likely to increase in the near future and possibilities of fresh sources of revenue will have, therefore, to be thoroughly explored.

The main sources of revenue of India at present are customs, income-tax, salt and opium in the case of Central Exchequer, and land revenue, excise and stamps in that of the Provincial Governments. The productiveness of opium as a source of revenue has already been rigidly circumscribed by international agreements, while returns from salt also are not likely to increase, for the regressive nature of the tax has already made it extremely unpopular and its reduction, if not entire abolition, is only a question of time. Cus-

toms, till now the most important of all the sources from the point of view of revenue receipts, will remain so for some years, but its diminishing returns have to be taken into account in formulating any scheme of India's public finance. The policy of encouraging the development of industries in India by means of tariff and other measures, with a view to make India self-sufficient at least in respect of certain commodities, will have its inevitable repercussions on the receipts from customs. As a matter of fact, this policy has already tended to discourage imports of certain goods, which have already evinced a downward trend. It is true that the industrial needs of the country will require importation of machinery and varieties of raw materials for several years more, while it is also true that with the improved standard of living resulting from the economic development such as we envisage, the consumption of foreign goods of the kind not manufactured within the country will increase to a great extent ; it is also reasonable to assume that with the lifting of the depression, there will be larger imports into the country than at present, and consequently larger customs revenue. At the same time, it is necessary to bear in mind, that the imports of cotton piece-goods, sugar, matches, paper, etc., which have so long yielded the major portion of customs revenue, will gradually fall off. In fact, matches have long ago ceased to yield any considerable revenue while sugar as a source of revenue is already a spent force ; the steady growth of cotton textile industry all over the country will also inevitably tend to shut out imports of cotton manufactures into India. These facts serve to emphasise the importance of income-tax, the only other principal source of central revenue, but even though the increased prosperity of the country might be reflected in receipts from income-tax, it will not be reasonable to expect that the additional revenue from this source will, for some years to come, be such as to compensate the loss from customs.

The logic of circumstances thus demands that new sources of revenue should be tapped, the need for which is also evident from a review of the position of the Provincial Governments. Land revenue, their principal source, is extremely inelastic and has shown considerable resistance to any substantial increase; the receipts from excises also have not in all the provinces yielded the desired result, leaving stamps as the only important dependable item. But as in the case of income-tax, dependence on a single source for a con-

siderable portion of the revenue receipts is extremely precarious, and it suggests the necessity for making the tax system more broad-based.

At the same time, we have to take into consideration the limited taxable capacity of the people. The people of India are admittedly very poor as compared with those of other countries, and the proportion of the total tax revenue to the total national income cannot naturally be as high as in other more fortunately placed countries; which leads to the conclusion that not much can be raised by imposing new taxes or increasing the present rates of taxes. We cannot, on the other hand, ignore that if the present practice of expending larger sums on the primary services of the Government to the exclusion of the more important developmental works is abandoned or even modified, and if, in future, increasing sums are allotted for the latter, the consequent improvement in the economic condition of the people will enable them to bear the burden of increased taxation to a greater extent than is possible at the present moment.

The minimum total amount of additional revenue to be placed at the disposal of Provincial Governments for making a fair beginning in regard to the nation-building services has been estimated by Sir Walter Layton in his Financial Report appended to the Report of the Simon Commission at between Rs. 40—50 crores. It is extremely problematic whether it is feasible to raise this amount of additional tax revenue, while it is equally doubtful whether the money thus raised will be available for being spent for the secondary services of the Government in India, in view of probable shrinkage in Customs Revenue—a loss which will also have to be made up from the new levies.

These facts inevitably lead to the conclusion that to enable the Provincial Governments to adopt beneficial measures, it will be necessary not merely to tap new sources of revenue but also to exercise strict control over items of expenditure, particularly those relating to the maintenance of internal and external security, in order to leave a larger margin for productive purposes. It is, however, well to recognise that this economy in expenditure will not dispense with the necessity for additional taxation.

As regards the new sources of taxation which can be tapped, careful enquiries will have to be made into the equity, incidence and

the probable yield from taxation of agricultural income, the institution of a tobacco monopoly, (and, for that matter, national monopolies in regard to other commodities of similar nature), excise duties on certain specific commodities, stamp duties on railway receipts, etc. I do not propose to deal with these specific suggestions here, but I would suggest that possibilities of raising additional tax revenue from these and other sources should be carefully investigated. Simultaneously, steps should also be taken to increase the productive power of the existing sources of revenue by varying the rates. Besides, attempts should be made for making the Post and Telegraphs Department a revenue earning department instead of being a burden on the general revenues as is now the case. This principle has been widely accepted in countries like Switzerland and Canada. But while State revenue is to be the objective, full and sympathetic investigation should be made into the taxable capacity of the people before any scheme of indirect taxation is undertaken through the regulation of postal and telegraphs rates. The existing financial position of the department, as at present administered by the Government of India, is extremely unsatisfactory. Year after year it is being run with deficits and for the last few years it has been almost a fashion to make of the general depression a scape-goat and put the whole blame on it. The crying necessity is, however, greater economies in administration, for which there is a vast scope.

The question of India's debt burdens will also have to be tackled in a scientific manner. The influence which our external debts and Home charges have on our Balance of Accounts with foreign countries can hardly be exaggerated. Inspite of the fact that we have ordinarily had a large visible Balance of Trade, our huge foreign obligations have not infrequently caused serious anxiety to the Government in meeting the annual charges.

To my mind the best method of meeting these obligations is to create a separate Fund, to which should be annually allocated sums determined in accordance with certain fixed principles ; these annual allocations should be utilised not merely for paying interest charges but also for redeeming portions of the original debts, in such a way as to wipe off the entire amount of our external debts at an early date. A similar provision made for our internal debts would facilitate conversion of loans bearing higher interest charges into those bearing low rates, thereby relieving the burden on the general revenues,

As regards future borrowings, I would suggest that a Central Loan Council or a Council of National Debt be set up to accord sanction to the floatation of all loans, and especially the foreign loans, and also to co-ordinate central and provincial borrowings. For the purpose of raising loans abroad, India must shake off her exclusive dependence on the London market and should tap other markets as well.

Allied with the question of our external debts is that of the Home charges which are a source of immense concern to the country. The reduction in these charges, which mainly consist of pensions and allowances to the past and present Government officials recruited from England, has become imperative; and while the stopping of further recruitments in England altogether will in course of a number of years result in the ultimate extinction of these charges, the question of regulating their payment by paying an annuity for a fixed number of years to the British Government in return for their undertaking the entire liability on this account should be carefully considered.

In view of the fact that the provinces are to secure greater autonomy with greater responsibilities for their own development and advance, the question of an equitable allocation of resources is of primary importance. While the question has been discussed by a number of Government Committees and Commissions and settled to be only unsettled again and again, the solution still remains remote. The fundamental defect of the system, which has persisted since the Meston Award, is the allotment of comparatively inelastic sources of revenue to the provinces. Land revenue is an extremely stationary source even in those provinces where permanent settlement of land tenure does not prevail; excise is one in which diminishing returns have set in with the growth of an enlightened public opinion. Irrigation and forests are likewise mostly unproductive, mainly due to the fact that Governmental expenditure in these directions is quite meagre. It is, therefore, necessary to make a satisfactory re-allotment of sources of revenue with full consideration of the needs and potentiality of respective provinces before the Federal constitution is actually inaugurated and fresh burdens and responsibilities devolve upon the provinces. Financial justice to the federal units will constitute in itself not only a source of strength to themselves but also a reserve of potential support to the Federation,

That the administrative machinery in India is exceptionally top-heavy is an admitted fact. A poor country like India can ill afford the luxury of such expensive administration, which has always hampered the prosecution of schemes for national development. Reductions in expenditures are also urgently required for releasing adequate funds to help the Government in the launching of a constructive economic plan for India. I would suggest in this connection the establishment of a Commission on the lines of the American Efficiency and Economy Commission to thoroughly examine the whole question of government expenditures and suggest necessary economies consistent with efficiency. I am firmly convinced that Government expenditures can be considerably curtailed without in the least impairing the efficiency of administration.

MACHINERY FOR PLANNING.

I have already dilated at considerable length on the necessity as well as the general nature of the plan. I have also indicated the immediate problems which demand our urgent and serious attention, although it is well to bear in mind that the emergent measures which may be needed to deal with some immediate pressing problems should not be confused with the formulation and the carrying out of the general plan itself. Now to formulate any general and comprehensive plan, it is necessary to have some appropriate and effective machinery. It is well known that the present governmental machinery is, by its very nature, unfitted to do this.

The work which faces us requires a regulating or planning body in possession of all relevant and accurate statistical materials for a correct assessment of economic and social happenings. The dearth of such materials in India is too patent. Our existing statistical methods and materials need thorough overhauling. It would then be the function of the planning body to correctly read the implications of such materials and evolve such a plan as will be best suited to her conditions and also will, at the same time, best subserve her own interests. Such a body, I need hardly impress, must be at once intensely realistic to gauge and assess present conditions as accurately as possible and sufficiently imaginative to visualise the problem as a whole in relation to the several parts with due regard to future possibilities. The machinery must be quick in action, but, at the same time, flexible. It must be free of the curse of bureaucracy

and courageous enough to admit mistakes. In the choice of methods, it must resort to such as are best suited to the conditions and change them whenever altered circumstances demand this, so that the better may never become an enemy to the best.

The central idea is to set up a Supreme Economic Council or a National Planning Commission which will in no sense supersede either the executive or legislative limit of the Government. From the working of the Tariff Board, a fruitful scheme for such a Council or Commission could be drawn. It should be composed of a permanent personnel of experts with the right to co-opt from time to time members having expert and specialised knowledge of particular problems when the Council will have to deal with such matters. Such a procedure will ensure the availability of specialised knowledge for special problems while guarding against a too circumscribed outlook or unwieldiness on the part of the Council itself. In the task of planning, each particular industry, manufacturing, agricultural or extractive, must be dealt with as a whole, and the several units in any one industry must organize itself for co-operative work. The next step would be the establishment of organizations for the whole of Industry, Agriculture, Retail Trade, Foreign Trade, Banking etc., which should be able not only to represent as organised functional bodies their respective cases to the Council but also to carry out such schemes of work as may be entrusted to them. Where such embracing organizations for the whole or any particular economic aspect of life or for the separate units in any one industry do not exist, the setting up of such associations should be actively encouraged.

In respect of the provinces, too, we should have similar Economic Councils, although, in so far as the services of experts will be needed to elucidate particular problems, it will be open to them to draw on the experiences of the Central Council in addition to their right to co-opt members with specialised knowledge of mainly provincial matters. An important function which the provincial councils will subserve is the compilation of all relevant data in regard to the various aspects of the economic life of the respective provinces. Towards this end, voluntary co-operation of universities and colleges on the one hand and of Chambers of Commerce on the other, would be found extremely valuable,

While facts and figures bearing on the situation in each province will be gathered, sifted, analysed and compiled by the provincial bodies, the Central Council will have to co-ordinate the results of the provincial investigations and, what is more important, to take all those measures for the expansion and enlargement of the economic statistics of the country, so as to bring them into line with the statistics maintained by progressive countries like America. The Economic Intelligence Bureau will have to be organized on a thorough and efficient basis. It would be necessary, in this connection, to ascertain how far the existing machinery of the Department of Commercial Intelligence and Statistics admits of expansion and strengthening, so as to make the kind of Economic Intelligence Bureau which it will be the prime purpose of the Central Council to provide itself with.

I should again like to impress upon you a point which I have already stressed, *viz.*, that the basic necessity of our plan is for developmental purposes. And India should be developed mainly in the interest of Indians. It is therefore incumbent that in any machinery we may set up for the formulation and execution of the plan, we should constantly bear this fact in mind.

URGENCY OF ACTION.

In examining such vast problems within the limited time at my disposal, I have necessarily had to content myself with a reference to some of the principal subjects only, omitting reference to a lot of other connected subjects. An economic plan itself is only part of national planning, and the latter comprises the co-ordination and harmonisation of a number of other human activities which go to make up the physical, mental, moral and material well-being of the people of the country. Even as regards those I have examined, I have had to be content with the barest and baldest outline. And the outline has often been rather slightly sketched than firmly drawn. I have tried not so much to exhaustively deal with the problems and the methods by which their solution could be attempted. My object rather has been to place before you some suggestions in order to quicken interest and stimulate thought. To formulate a complete plan embracing the varied and far-flung economic interests of a continent like India would be beyond the capacity of a single individual like myself. It will need "skilled collaboration of many minds,

administrators, businessmen of varied experiences, trade unionists, lawyers, men and women skilled in parliamentary and municipal procedure, scientists, teachers." My object will be completely achieved if my observations can serve as the starting point for further thought and discussion, and if I have succeeded in impressing upon you the imperative necessity for action.

I believe that unless some measures for improvement of the economic stamina of the people are quickly adopted, the situation may get out of control and lead to catastrophic repercussions. The great need of the moment is not only a policy of action to deal with a pressing situation, but also the provision of a new conception of social and economic organization which will facilitate the evolution towards a healthy and stable economic system. Such a system need not involve a radical reconstruction of the economic structure. Nor need it eliminate from business the motive of personal reward. Once we have laid the foundations of a plan for the economic betterment of the country as a whole, there will still be a large field of useful work for even the most hardened individualist. But unless something is done quickly, I feel, there is a limit to the sufferings that will be borne by even a traditionally patient people ; and when their balance of mind has been upset by continued privations and their judgment warped by severe economic adversity, they may develop into the most fertile soul in which the violent and ruthless could sow the seeds of revolution. That is the lesson furnished by the history of countries like Russia, eighteenth century France, Post-War Germany and Post-War Italy. Revolutionary movements thrive with the development of a revolutionary situation, and bankruptcy of statesmanship has invariably led up to such a situation. The flamboyant appeal of the revolutionary must be opposed not by a negative attitude, but by constructive proposals which will appeal to the reason and intelligence of the nation by diminishing its sufferings. But it is not enough to frame constructive proposals, nor is it enough to know the remedy, we must apply it in time before fatal symptoms have developed.

Of course, I realise at the same time that it would be futile to adopt certain measures merely because "something" has to be done. This is no time for light-hearted experimentalism. When we undertake the journey we must be clear as to our destination. We must realise that fragmentary measures cannot achieve permanent

results. While we realise that the defects of a system cannot be eradicated all too soon, this cannot be an excuse for being too slow and timid. Necessity for caution there no doubt is, but it certainly is no justification for inactivity or for half measures.

POLITICAL OUTLOOK.

I have confined myself so far to the consideration of economic problems with which as businessmen we are so intimately concerned. The political situation also affects us no less vitally. Frequently, we have experienced how political conditions have thwarted economic objects, and the impending political changes will affect our business activities to a greater extent than we imagine. I need not therefore apologise to you for making certain observations on the political situation.

The country had been following a certain political programme in accordance with a policy that was laid down by the most dominant political organization of the people. The whole nation for a time supported it and the commercial community, even while it could not as a body actively participate in it, genuinely sympathised with it and helped it in various ways. It did not bring us that measure of success that was universally hoped for. The very nature of the programme is such that there are serious practical limitations to its continuance for any length of time. An extreme programme of non-violent direct action imposes severe sufferings upon and demands great sacrifices from its adherents. The stringent measures adopted by the Government have also seriously affected the chances of its continuance as a mass movement. In an atmosphere of intense inter-communal clash and sectional differences, the continuance of such direct action of this kind may easily become a dangerous method. To continue to use such a weapon and at the same time prevent its inevitable reactions require a degree of national unity and discipline that is not found in India to-day. Civil resistance, as understood and practised in India, by itself need not necessarily be a dangerous method. But among its advocates is a group of people who view it merely as a preliminary to further extreme action for the promotion of aims and ideals about which there is not the least unanimity. In short, their ideas appear to favour a social and economic revolution, if necessary. When we examine Civil Disobedience as a method, we should not be too greatly influenced by the aims of its saintly

originator, but we must also ponder deeply over what is likely to be the results, if its control and direction passed into the hands of those whose purity of motives and selfless devotion we may admire, but whose reckless disregard of consequences cannot be defended. And who can say it will not happen ? As businessmen we cannot risk the creation of an atmosphere of national confusion and disintegration. It is not that Indian businessmen are afraid of financial loss. If they could be sure of achieving the aim, they would never recoil at sacrifices. But if they feel these sacrifices will not bear fruits, they cannot in fairness to themselves support that policy. This is the simple and understandable position of Indian businessmen.

At the same time we are quite aware that the Government, by their lack of vision and sympathy and the adoption of harsh and indefensible methods, may be adding fuel to the fire of national resentment, which might at any time blaze forth again into the terrible conflagration of revolution. We are powerless to prevent it. The responsibility for it, if such a position occurs, must rest entirely with the Government. We have warned them against it ; but warnings go unheeded, for what does Government care for the opinion of the people of this country ?

Now the old programme is, for all practical purposes, suspended, and no new programme has been adopted in its place. But as far as it can be seen the feeling is widespread, not merely among the commercial community, but even among erstwhile active adherents of the policy and the country in general, that a definite change in the political programme, and the political methods and tactics is necessary. It is a feeling that is fully shared by businessmen all over India and I fully trust it will be given due consideration when the time for decision arrives.

Apart from the transformation in popular feelings and ideas, there have also occurred perceptible changes in the situation of the Government. After the success which they feel they have achieved in checking the nationalist movement, they are naturally feeling more confident of their own powers and less inclined to respect the country's wishes. The Assembly and Councils everywhere have ceased to function as guardians of national rights or champions of national interests. The Government have been able to persuade them to pass the most reactionary measures with indecent haste and sur-

prising ease. The most unwarrantable interference with individual freedom has been openly exercised. Above all, ruthlessly repressive measures have been incorporated into the frame-work of the administration. While a cloak of justification for them, however thin, might have been provided by the conditions that existed some time ago, their indefinite continuance and the continual addition to their number are not warranted by present circumstances. But the Government are arming themselves and strengthening their defences, lest under the petty concession that they contemplate in the White Paper, real power and effective control should slip out of their hands. Under the next regime it may be difficult for the Government to force the legislatures to accept such measures; but under the extensive and undefined powers that will certainly be vested in the Governors and the Governor-General, all attempts at their repeal can be effectively thwarted.

Paradoxical as it may appear, simultaneously with the strengthening of the bureaucratic buttresses, the Imperial Government are also considering the extension of some political concessions. The wearisome delay which marks the progress of their proposals through the interminable stages of Conferences and Committees, before they are finally placed before the Parliament, signifies the seriousness with which the whole question is viewed by Britain. India's own opinion of the constitutional proposals embodied in the White Paper and the subsequent discussions in London, which constitute Britain's prescription for the solution of the Indo-British problem, has been given frank expression. Even the moderate-minded representatives that gave evidence before the Joint Parliamentary Committee did not consider them as acceptable. "India desires," they say, "to shake hands with Great Britain in token of friendship based on a recognition of equality. A proposal that she should be handcuffed before she is allowed to shake hands, lest she be tempted to strike, is hardly the most expedient method of beginning a new era of cordiality and mutual understanding". The spirit that runs through them is one of open mistrust and the proposals themselves are grossly inadequate judged even by the declaration of policy made by the Prime Minister at the end of the first Round Table Conference. They are characterised by a carefully concealed unwillingness to part with real power. Wherever there has been any concession of power it has been effectively nullified by artfully contrived

checks and balances. The Governor-General's extraordinary powers and "special responsibilities" will overshadow whatever powers may be delegated to the Ministers. The Defence Budget will be determined by the Governor-General and the Commander-in-Chief. In matters of currency, credit and exchange the previous sanction of the Governor-General will be necessary for any substantial change in the present order of things. That the Governor-General should have a special Financial Adviser (a function which in all countries if fulfilled by the Finance Minister) is an unmistakable indication that the Finance Minister is not expected to share his confidence. The constitution and powers of the new Reserve Bank have been so devised that real Indian interests will still find it difficult to gain influence. The proposal for a Statutory Railway Board is another measure that has been devised to diminish the powers of the Legislature and segregate the transport organization from popular control. The provisions relating to commercial discrimination have been so framed that, in the form which they finally assume, they may prove a powerful impediment to India's economic progress and freedom, and the strongest guarantee of the economic control of India by foreign capital. Under the plea of preventing commercial discrimination Britain is really attempting to force India to confer upon the British businessman every right, every privilege that an Indian businessman can ever enjoy. Even the idea of so-called reciprocity is receding to the background, and nobody in India can enjoy greater rights than a British businessman. This is a position which may lead to a future economic conflict many times more severe than the present political struggle.

If the situation does not improve and if the present struggle is continued, India will remain a source of increasing weakness and troubles to Great Britain. While her apparent control and the outward forms of political domination may continue, her real influence over India's life, ideas and outlook is fast dwindling. The antipathy she has aroused cannot be eradicated by 'strong measures', political palliatives or half-hearted concessions. While these facts suffice to show that under the new constitution the position will remain substantially unchanged, Britain's attitude towards India has not undergone any basic alteration. There is not even an indication as to when the tutelage will end. The position is both unsatisfactory and uncertain. But the Government seem to be changing their

tactics. New methods are under their contemplation. The devices they will adopt under the new regime to retain control of the country will differ widely from the old weapons. For this reason, again, the country also would require to change its methods and instruments.

But it would be difficult to prescribe them just now before knowing the exact position and attitude of the British Government; and neither is it possible immediately to define our attitude towards them under the next regime, and even if it were possible, at the present stage it would be eminently inadvisable. There is time yet to do that. We do not yet know in what shape the Bill will finally emerge and, therefore, it strikes me that it would not be wise to enter into speculation about our future action.

There is a section of people who seem anxious to express their willingness to work the new constitution for what it will be worth. They do not even know the ingredients of the medicine manufactured and patented in England, but they are eager to prescribe it for India. In my judgment such an attitude is not warranted by the present state of things. There is nothing to justify or support the assumption that our readiness to make an unequivocal declaration of co-operation will induce the British people to make any change in their policy or concede greater powers to us. You will pardon my inability to understand those whose zeal for co-operation under all or any circumstances still remains unabated.

I do not think the time has yet arrived for the commercial community to make any immediate decision on the question of council entry. Our readiness to go to the Councils cannot be of any avail unless the country also decides upon such a policy. Representatives of the commercial community may go to the Councils to oppose unacceptable measures and help the initiation of beneficent ones; but unless the nation also decides to enter them the few representatives of Indian commerce can expect to do neither successfully. Some of them are in the Councils to-day. Are they able to prevent the enactment of any unjustifiable measures, even in the economic sphere? Are they able to influence legislation for the benefit of our economic progress? The Councils can be of some advantage to us only if they consist of the real representatives of the people on whom our representatives can rely and with whom they can work in co-operation. Until, therefore, the country decides to enter the Coun-

cils, it will be premature to make any decision ourselves in this matter. What we really ought to do is to express our views frankly so that they may exercise due influence upon the leaders when they assemble to make the final decision and, having done so, to await the decision before adopting any definite policy ourselves.

As I have already stated, the general feeling is growing that a review of our political situation and resources and a reconsideration of our political methods and tactics are necessary. The great lesson brought home to us by the events of the past few years, as I read them, is that too great a sanctity should not be attached to one particular method. Political tactics often necessitate the adoption of several weapons at the same time. The value of a method is sometimes so exaggerated, and invested with almost divine sanctity that not infrequently there is the danger of our losing sight of the goal. There may grow up an impatience of any other methods suggested for the attainment of the same goal. A tenacious loyalty to a given method is often a political asset of great value ; but when you mistake it for an unalterable political principle, it may become a terrible handicap to political progress.

The soundness of a given political method should be tested not merely by its theoretical excellence, but also by its adaptability to the conditions actually prevailing and which are necessary for the achievement of success. It might be eminently desirable to have an army composed of men, every one of whom is six feet high ; but by prescribing this condition as an indispensible qualification for entry into the army you will hardly gather more than a few hundred men.

We have in the past employed certain political methods. We should not be afraid to admit that they have not brought us the success we had hoped for. Ordinary prudence demands a change. There is nothing derogatory to a change in political methods. Considerations of false political prestige should not deter us from grasping the realities of the situation which call for a change, so long as our goal remains unchanged and our ideals unaltered. A river in its course to the sea encounters many an obstacle. If it encounters a hill in the course of its progress, it circumvents it and continues its course to the sea. So should it be with our politics.

Within the bounds of the principles of morality and the tenets of the philosophy of our life, we should have no hesitation in adopting any method that is likely to further our ends and strengthen our cause. I do not believe that we should not approach an evil thing even to mend it, not even to end it. If the leaders think that the Councils can give us strength to achieve our goal they must capture them and work them. If they believe the Councils are impediments in the path of our political progress, they must capture them and break them. In any circumstance we must prevent others from using them to pass bad laws and utilising the support of these blacklegs as justification for their black laws. As instruments of self-government these Councils may not excite our enthusiasm ; but when they are filled with unworthy men, they have been freely utilised as weapons against national economic interests and political aspirations. There are men in the present Assembly and Councils, who, merely to win the applause of the Treasury Bench and gain the favour of the Government have derided great national institutions, political and commercial. There are yet others who could not have reached these bodies except by exploiting communal dissensions and who could not have retained their seats except by fanning the same hateful flame. The opinions and actions of these men are being paraded before the world as those of the country. Should this at least not be prevented from happening again ?

The Indian commercial community has always helped the political organizations in all legitimate endeavours to attain Swaraj, and will, I am sure, continue to do so. But the national leaders should take into consideration all our circumstances and limitations so that our humble co-operation and services may also be useful for the advancement of the country's cause. Our future political methods should be such that every man who loves his country will have an opportunity to make some contribution, however, small, towards its advancement. We, the commercial community, desire to march with our countrymen. Do not exclude us by taking a route we cannot follow or prescribing methods we cannot use.

CONCLUSION.

Gentlemen, I have now about done, but before I resume my seat I must extend to you my sincere thanks for the honour you conferred on me by electing me your President for the year. It is an

honour which I highly covet, it is a privilege to have served you and this is the happiest moment of my life. There are few more honourable positions to which an Indian may aspire than the presidentship of this important body representing the vast interests of Indian trade, commerce and industry. I would ask you to pardon the length of my speech but I thought it necessary to bring to your attention these matters which are so greatly exercising our minds to-day, and also what urgently calls to be done to improve the country's economic condition. I hope, therefore, that the proceedings which follow will be really constructive and helpful. It is hardly necessary for me to urge upon you, that a tremendous responsibility rests on the Indian commercial community; for, on them devolves to a larger extent than any other section of the people, the duty of sailing the economic vessel past the shoals and quicksands that threaten a safe anchorage. (Applause).

President: Sir Shanmukham Chetty and other National leaders, I beg to thank you most sincerely for your kind attendance at this session of the Federation. I appreciate very much the great trouble you have taken in attending this conference. I take it that it indicates your spirit of co-operation and good will and your desire to have mutual co-operation with this great commercial organisation of this country. Co-operation between the commercial community and the national leaders is very necessary at this moment and I fervently hope that the spirit of co-operation and the expression of good-will which betoken your presence here will abide and with our combined experience, strength and resources we shall be able to dedicate these to the cause of our country so that the country may improve and prosper along economic lines. I thank you, gentlemen, once again for your having kindly come to attend the deliberations of this Federation.

The Honourable Sir Shanmukham Chetty: Mr. President and Members of the Federation, on my own behalf and on behalf of all the other guests whom you have so kindly invited to your deliberations today I extend to the Federation our thanks for the honour that you have done us in extending this invitation to us. So far as I am personally concerned, I feel my position to-day replying on behalf of the guests as a rather curious one because until very lately I was one of yourselves (hear, hear). I have always looked with pride

and pleasure on those days of my association with the great industrial and commercial magnates of our country. As one who has observed the public life of this country for sometime I have felt that the most remarkable development during the last one decade has been a more active association of the business community of this country in the wider public life of India. Until about a decade ago the commercial and industrial community kept aloof from the political and public life of the country confining itself to industrial and commercial pursuits. During the last ten years a change has come, a change which every well-wisher of the country should welcome and appreciate. In a gathering of this nature, there is bound to be differences of opinion on various questions, industrial, commercial and political and such a difference of opinion is only indicative of the fact that this body is throbbing with real life. But whatever might be the differences I have not the slightest doubt in my mind the Federation of Indian Chambers of Commerce and Industry has now come to fill an important role in the public life of our country (applause). Whatever might be the programme that you may chalk out, I sincerely hope and trust that it will be so devised that it will furnish to the Federation as a whole and to the individual members the fullest opportunity to contribute their best towards the healthy development of the public life in this country. We are passing through really critical times. A solution of the various problems with which we are faced requires the most earnest and the most zealous co-operation of every single individual in this country. I hope and trust that your deliberations during the next few days and your activities in the coming year will prove of real benefit to the economic and political life of this country. I deliberately use the words, economic and political life because I am not one of those who think that a commercial body should keep out of politics. Politics and commerce are intertwined and in a country like India they are bound to go together hand in hand. The political life of this country demands a contribution from the commercial magnates of this country and I hope that during your deliberations for the next few days and in your programme for the coming years you would contribute something constructive, something useful to our public life. Mr. President and gentlemen, on my own behalf and on behalf of the guests, I thank you most sincerely for the opportunity you have given us to witness your proceedings. (Applause).

ANNUAL REPORT & STATEMENT OF ACCOUNTS

President : The next item on the agenda is the adoption of Annual Report and the statement of accounts for the year ending the 30th November 1933. If any Member wants to make any observation, he can please do so.

Mr. Srikishendas H. Lulla (Karachi Indian Merchants' Association, Karachi) : Sir, the Karachi Indian Merchants Association received a letter No. F-955, dated the 12th December 1933 from your office regarding the new industrial Employers organisation and the Karachi Indian Merchants Association in their letter of the 11th January 1934 raised their protest against the same, to which protest your Secretary in his letter No. 24 dated the 17th January 1934 said that as the question was referred to in the annual report of the Federation for the year 1933, a discussion might be raised by your Association's representatives when the report comes up at its annual session. Accepting that suggestion conveyed by your office, I have received a mandate from my Association to raise that question here and in raising it I cannot do better than read to you the protest which the Karachi Indian Merchants Association raised because that would cover the points much better than I can put it to you. The letter of the Karachi Indian Merchants Association runs as follows :

> "With reference to D o letter No. F. 955. dated the 12th December 1933 addressed by the President of the Federation to the President of this Association, which was duly placed before my Committee and carefully considered by them, I am directed to lodge an emphatic protest against the Federation waiving its right and, by implication, that of its member-bodies, of suggesting names for the nomination of Employers' delegate to the International Labour Conferences.
>
> It is no doubt true that since 1931, the Government of India, while inviting suggestions for the nomination of non-Government delegates to the Labour Conference have been laying down that an association will be regarded as representative of employers only if it includes among its functions that of dealing with the interests of employers as such, (*e.g.*, regulating conditions of employment), but from the nominations made since then it is clear that the persons actually nominated were those recommended by the majority of the members of the Federation by a process of mutual consultation introduced and conducted by the Federation.
>
> My Committee recognise that this practice of the Government of India cannot be regarded as agreement on the part of the Government to act upon the recommendations of the Federation and its member-bodies in this re-

gard, particularly on the inauguration of specific employers' organizations but they feel that instead of surrendering a right which the Federation and its member-bodies enjoyed in practice, they ought to have represented to Government for its continuance, or as a last resort for their recognition on the same footing as the recently started employers' organization for the purposes of making recommendations for the nomination of Delegates to the Labour Conferences. If the Government proved to be adamant in their attitude, it would still have been more dignified not to acquiesce in the withdrawal of recognition from the Federation and its constituent bodies.

I am further to state here that in order to meet the new condition laid down by Government several member-bodies, at the instance of the Federation, had already added or taken steps to add to their aims and objects a clause that regulation of conditions of employment will be one of their functions. In view of this it is hardly justifiable that the Committee of the Federation should have abdicated a right in favour of another organisation.

It is stated in the letter referred to above that there is a link between the All-India Organization of Industrial Employers and the Federation evidently implying thereby that the recommendation made by the former can be influenced by the latter. While this is improbable, and will be found very difficult in actual practice, my Committee wish to point out that the link said to exist is only accidental, and may break at any time. There is nothing in the Constitution of the All-India Organization of Industrial Employers which provides that there will be the official seal of approval of the Federation on the recommendation made by the Employers' Organisation. Therefore, this argument in justification of the action of the Committee of the Federation is hardly tenable.

My Committee strongly feel that before taking any action in this connection which they regard as a matter of principle your Committee ought to have consulted the constituent bodies. They, therefore, wish to take up this matter at the ensuing Annual session, and trust that it will be included in the Agenda."

The above letter summarises the arguments that I wish to place before this Federation.

President: After this letter was written, we have written a letter to your Chamber saying that we are framing certain rules which would satisfy them and the Lahore Chamber who raised this question. May I point out to you that pending a final decision on this matter, would it not be premature to discuss the matter now ?

Mr. Srikishendas H. Lulla: I submit for your consideration that having regard to the terms of your letter contained in your let-

ter No. 24, dated the 17th January 1934, I have to make certain submissions.

President : We have addressed another letter to you dated the 22nd March, and that is a later letter.

Mr. Srikishendas H. Lulla : I have not got that letter before me. My respectful submission is that this matter is certainly germane to the present report and it arises directly out of it and it is just pertinent that we should consider the question. If however you think we ought not to consider that for any reason, and rule it out, I am certainly willing to abide by your decision.

President : I do not want to rule it out. I say the matter is still under consideration and we are devising certain provisions by which your Chamber and the Lahore Chamber will be satisfied. Under the circumstances would it not be advisable to leave this matter now pending a final decision on the matter?

Mr. Srikishendas H. Lulla : I take it that the matter is not closed once for all and that it will come up before the Federation once again for consideration and that there has been no final decision yet and acting upon that, I do not wish to pursue the question at present.

The President put the following proposition to vote :

" That the Annual report of the Proceedings of the Executive Committee and the statement of Accounts duly audited for the year ending 30th November 1933, be adopted."

Carried unanimously.

President : I move first the resolutions that are to be moved from the Chair. The first resolution relates to the Bihar earthquake.

I move :

BIHAR EARTHQUAKE

" The Federation places on record its profound sense of horror at the devastation caused by the recent earthquake in Bihar and extends its deep sympathy to the people of the Province in the great

calamity which has overtaken them, and appeals to the commercial community to come forward to help generously towards the reconstruction of Bihar."

The resolution was carried unanimously.

President : The next resolution relates to Currency and exchange.

I move :

CURRENCY AND EXCHANGE

" The Federation re-iterates its emphatic opinion that the existing 1s. 6d. ratio is extremely detrimental to the best interests of the country and that the position has been very much aggravated by the depreciated currencies of other countries and that early action should be taken to devaluate the rupee with the ultimate object of fixing the exchange at a natural level."

Mr. R. K. Sidhwa : Sir, I will suggest a slight amendment in this resolution. For the words from "The Federation reiterates" up to "ratio is", I would substitute the following :

"The Federation views with great concern....."

President : It is not the usual procedure to suggest an amendment to a resolution moved from the Chair.

Mr. R. K. Sidhwa : Then let it be proposed by somebody else so that I may have a chance of moving my amendment.

President : These resolutions were circulated to the member-bodies and no member-body has sent in any amendment or made any suggestions to alter them. In these circumstances I will appeal to you not to press your amendment here.

Mr. R. K. Sidhwa : Sir, I think it is the inherent right of every member present here to oppose a resolution if he so desires.

President : I am sorry it is not.

Mr. R. K. Sidhwa : Under what rule ?

President : Because if you want to move an amendment you have to give notice of it.

Mr. R. K. Sidhwa : This is not an amendment but I am suggesting a small change. I am suggesting that for the first line the following should be substituted :

"The Federation views with great concern the entire apathy on the part of the Government of India in ignoring the unanimous opinion of the country expressed from time to time regarding the existing 1s. 6d. ratio which is extremely detrimental, etc."

And at the end the following should be added :

"Continuance of the present adamant attitude of the Government in this direction is likely to bring the already deplorable financial position of India into disastrous results."

President : This is not a mere verbal alteration ; it is certainly an amendment. Has your Chamber suggested this amendment ?

Mr. R. K. Sidhwa : Yes, Sir.

President : But we have not got it.

Lala Sri Ram : I think Mr. Sidhwa may agree to the appeal that the President has made because after all the matter is not very serious. We are all agreed on the matter of currency and exchange. Therefore let us hear the President's appeal and submit to it.

Mr. R. K. Sidhwa : I will submit to the view of the President but I feel we should be strong in our language as regards this problem. We are every year expressing our view but Government have actually given no ear to it and I therefore say that our language should be sufficiently strong.

President : The strength of language is there in the word "reiterates".

The Resolution was then put to the vote and was adopted unanimously.

President : Resolution No. 3 on the Agenda is about Export of Gold.

I move :

EXPORT OF GOLD

"This Federation views with alarm the continued outflow of gold from India valued at over 171 crores of rupees since September,

1931 and regrets the policy of inaction on the part of the Government of India inspite of strong protests by the Indian mercantile community. This Federation reaffirms the necessity of steps being taken forthwith by the Government to put an embargo on the export of gold and buy gold in India at the rates equivalent to sterling rates of gold in London."

Carried unanimously.

President : The next resolution is about Silver.

I move :

SILVER

"The Federation regrets that the Government of India should continue their policy of silver sales in spite of the continued protests from the public. The Federation is of opinion that since the recommendations of the Hilton-Young Report are not now operative Government should stop further sales of silver.

"The Federation welcomes the reduction of the import duty on Silver and hopes that this will be the first step towards the ultimate abolition of the duty in the near future."

Carried unanimously.

President : I now move the resolution on Banking.

BANKING

"The Federation urges the Government of India to give immediate consideration to the recommendations of the Central Banking Enquiry Committee with the object of preparing a definite programme to secure the extension of banking services particularly for the aid of industry and agriculture, to improve the organisation of banking in general in India and to introduce effective banking legislation to facilitate the expansion of joint-stock banking in the country."

Adopted unanimously.

President : The next resolution to be moved from the Chair relates to mutilated currency notes,

I move ;

MUTILATED CURRENCY NOTES.

"The Federation regrets to note that the operation of the present rules for refund of value of mutilated notes is causing unnecessary loss and inconvenience to the public and requests the Government of India to revise them so as to restore the position before 1927."

Carried unanimously.

President : I move :

SURCHARGE ON RAILWAY FREIGHT ON COAL

"The Federation notes with regret that inspite of repeated representations from several bodies representing the interests of producers as well as consumers, practically no action has been taken by the Government for helping the Coal Industry. This Federation is of opinion that the Coal Industry is in urgent need of immediate attention and therefore urges the Government to take proper steps to help the Industry by withdrawing the Surcharge on coal freight and also adopting the restriction scheme put forward by the Industry to rehabilitate it."

Carried unanimously.

President : Another resolution to be moved from the Chair relates to the proposed Railway Board.

I move :

STATUTORY RAILWAY BOARD

"The Federation, while not agreeing that a Statutory Railway Authority should form an essential feature of the future constitutional reforms, is of the opinion that, should such an institution be considered necessary, the Indian Legislature alone should have unfettered authority and discretion to devise suitable machinery for the proper administration of the Indian railways delegating to it such functions and powers as may be deemed necessary and that the rights of the Indian Legislature should be in no way restricted by the Constitution Act in regard to the policy, finance and administration of Indian railways."

Carried unanimously.

President : I move the following resolution :

MERCHANDISE MARKS ACT

"The Federation draws the attention of the Government of India to the imports of foreign goods without any marks of origin, similar in form and design to corresponding swadeshi products and urges that the lacuna in the Merchandise Marks Act be removed by a provision imposing an obligation for the country of origin being distinctly shown on all imported goods."

Mr. R. K. Sidhwa : I think this resolution requires some clarification. I understand that under the existing Merchandise Marks Act all articles of merchandise are required to bear a stamp before they are allowed to pass through the Customs. Will you explain how.....

Mr. D. P. Khaitan : Mr. Sidhwa's information is not correct. The Indian Merchandise Marks Act only provides that the bales or outer covers of the packages in which goods are brought should be marked with the country of origin. But the difficulty is that piece-goods and other articles contained within those packages are not marked with the country of origin, with the result that foreign goods are passed on by the retailers, and sometimes also by the wholesalers, as swadeshi products. And therefore it is that the Indian mercantile community has consistently demanded that the Merchandise Marks Act should be amended. In this connection correspondence took place between the Indian Chamber of Commerce, Calcutta, and the Government of India ; and the Government of India declared their inability to do anything in the matter because the Merchandise Marks Act does not provide that the articles should be marked with the country of origin, and that is the reason why this Resolution has been moved.

Mr. R. K. Sidhwa : Mr. Chairman, Mr. Khaitan's statement is not quite correct. Under the existing Merchandise Marks Act, all foreign piece-goods excepting the piece-goods manufactured in Great Britain are supposed to be stamped by the country of origin. If they are not stamped they will not be allowed to pass through the Customs. I can understand that so far as goods from Great Britain are concerned, they are not marked. But the resolution is not clear and therefore it requires to be modified if it really means that goods coming from England should also be marked under the Merchandise Marks Act,

Mr. Srikishendas H. Lulla : May I suggest that the consideration of this subject may be allowed to stand over till recess ? In the meantime the provisions of the Act may be verified.

Mr. J. N. Bose : It is as a matter of fact well known that in certain classes of goods only the outer coverings are marked and not the contents. In the case of liquid or semi-liquid goods the contents can never be marked. I may call attention to the perfumery trade, for instance.

President : The Resolution has come from the Indian Merchants' Chamber, Bombay. They must have considered it before sending it. Then it was considered by the committee and sent round to all the member-bodies and we have not received any objection from anybody. So I think I will put the matter to vote and finish it.

Mr. R. K. Sidhwa : We as the Federation are a responsible body and therefore I suggest that if any such inconsistency is brought to the notice of the House it must be investigated. If you really say that the member-bodies have not sent in any amendments, it was not necessary to call this meeting at all.

President : As responsible members of the Federation it was their duty to send in proper amendments in proper time. This agenda was circulated about 14 days ago.

Mr. R. K. Sidhwa : But in the absence of that do you feel that you should carry an incorrect resolution ? Supposing a member body failed in its duty, do you wish that we should do the wrong thing?

Mr. A. D. Shroff : Perhaps I may say one word because it comes from my Chamber and I think there is a genuine grievance amongst merchants in our part of the country and that grievance is precisely of the character described by my friend Mr. Khaitan just now and it is supported also by my friend here, Mr. Bose. I should like to know from Mr. Sidhwa in what particular respect the statement of fact mentioned in the resolution is inaccurate. This is more a statement of fact than of law, and I should like to know where it is inaccurate.

Mr. R. K. Sidhwa : I think if the words 'foreign goods' were changed to 'British goods' it would be quite correct, because all foreign goods are stamped. I must emphatically state that,

Mr. Vidya Sagar Pandya : You have ruled that if any amendments are to be made they should have been sent by chambers and I wonder in the light of the ruling you have given whether this discussion should be allowed to continue, especially when a resolution is moved from the Chair.

Mr. Bagaria : It is not a question of opinion : it is a question of fact.

Rao Bahadur Seth Shivratan G. Mohatta : In Karachi also importers are complaining about this matter : therefore it is necessary that this resolution should be passed.

President : Even on a point of fact I find there is unanimity of opinion. Therefore I must put it to vote.

(Mr. Sidhwa demanded a poll which was refused as there was no one to support him).

The Resolution was adopted unanimously.

President : I now put resolution No. 19 from the Chair. It reads—

EXPORT DUTY ON RAW HIDES

"The Federation protests against the action of the Government of India in abolishing the export duty on raw hides in spite of continuous demands by the Federation for an increase in the duty."

Seth Haji Abdoola Haroon : Was this resolution also circulated 14 days ago ?

President : It was in the classified list of resolutions, and it was done at the request of the Southern India Chamber of Commerce : it was also in the list considered by the committee yesterday.

Mr. S. H. Lulla : Have we the power to move any resolution which is in the classified list but which was not considered by the Executive Committee ?

President : The Resolution was considered by the Executive Committee yesterday.

The resolution was unanimously passed.

The Federation then adjourned for lunch till 2-30 p.m.

AFTERNOON PROCEEDINGS

SATURDAY, 31st MARCH, 1934.

The Federation re-assembled after Lunch at 2-30 p.m. with the President, Mr. N. R. Sarker, in the Chair.

President: Gentlemen, I have been requested by my esteemed friend Pandit Santanam to invite you all to the Insurance Conference at Lahore to be held on the 3rd April, 1934. He extends this invitation to all Members of the Federation.

Mr. Hoshang Dinshaw: Mr. President, may I take this opportunity to thank you for the excellent lunch you just now provided to us?

President: Our friend, Seth Haji Abdulla Haroon, wants to leave the House on some urgent business, and so I propose to take up Resolution No. 12 on Sugar, and I call upon Lala Shri Ram to move the Resolution on Sugar.

Lala Shri Ram* (Delhi Factory-Owners Federation): Mr. President and friends, I have been asked to move the Resolution on sugar. It reads as follows:—

SUGAR INDUSTRY.

"The Federation strongly protests against the proposed Sugar Excise Duty Bill and the excise duty as it will be harmful, to the interests of the industry in particular and the country in general."

Mr. President: Today the greatest thing on which the attention of the country is concentrated, amongst all other things, is the proposed excise duty that the Government intend to levy. I do not know whether this Federation will be doing the right thing in protesting against this excise duty, as I have read this morning in the *Hindustan Times* that Sir George Schuster's one strong reason for fighting this Bill is because there has been a lot of propaganda against this excise duty, and I suppose that this additional propaganda might make him stiffer in fighting out this matter. He has said:—"But if I had felt any doubt on the matter, any hesitation about fighting this case, those doubts have been removed,

*Speech not corrected.

and my desire to fight has been definitely increased by the kind of propaganda which has been going on and the kind of representations which have been received"—So you have to consider seriously whether we are working in the interests of the sugar industry or not in protesting against this Excise duty. I will not take much of your time in dealing with the history of protection granted to the sugar industry or at least to the so called protection given at any time to the sugar industry. The history is well known to you. In the Assembly session of March 1932 the so-called Protection Duty Act was passed, but the duty was not increased at all as is generally believed to be the case. The present duty of Rs. 9-1-0 per cwt. existed even before protection was granted to the sugar industry before the Sugar Protection Industry Act was passed. Therefore, the Government cannot very well say today that they have created any very favourable circumstances by passing that Act. All that they did was this. By passing that Act they led the industry to believe that this duty of Rs. 7-4-0 would be enforced for a period of 7 years in the first instance, and if necessary for a period of 15 years. The country on account of this so-called protection has not had any further burden put upon it. The consumer has not suffered at all on account of the protection, but the duty was a revenue duty, and it is still a revenue duty. What the Government is doing is that all the duty that existed at the time when protection was given and all the surcharges that were levied in September 1931 are still kept in force. No duty or surcharge has been removed, and therefore the Government cannot have any grievance against this particular thing, because up to now it is a revenue duty. On the other hand, there is propaganda not so much against the excise duty that is sought to be levied but propaganda against the industry which has been systematically and regularly carried on during the last 18 months,—propaganda in which it has been said that the industry has been paying very low prices for the cane, propaganda depicting that the industry has been exploiting not only the grower of cane but also the consumer of sugar. The other charge against us is that we have developed the industry too quickly and that we have made too much profit. Now, we will take these things one by one.

First of all, as I have told you, there has been a lot of propaganda against the industry, and the position more or less is this. Give a dog a bad name and shoot it. I will prove to you that the

industry has been, if anything, more fair to the grower of cane that was perhaps contemplated by the Tariff Board. The Tariff Board has, in its recommendations, given two statements, one by which they have arrived at certain prices of cane and at certain prices of sugar at the beginning of the period of the industry, and another giving the prices of cane and prices of sugar at the end of the protection period. What the industry has done is this. The industry has achieved within a period of two years what the Government and the Tariff Board contemplated it to achieve in 15 years. The argument is on a par with this, because my son has passed his matriculation at the age of 10 instead of 16 as I had contemplated, I am going to ask the University people to add 50 more books to the courses of Intermediate, B.A., and M.A. so that he may not pass his M.A. before he is 25 years old. That seems to be the policy of the Government in this particular matter.

Coming to the question of price of cane, there cannot be any better proof regarding the price paid by the factories that the fact that no cane grower puts up a crusher within a radius of 5 or 10 or 15 miles of wherever there is a factory. They make gur, they make rab in the interior, but certainly not anywhere near a factory. Why don't they do it ? It is only because the factories are paying a price which the farmer does not get from any other source. Even Mr. Prior, a high Government official of the Bihar Government has admitted that the farmer by turning his cane into gur gets only 1.1/2 annas per maund for his cane, while no Government official has ever disputed the fact that the factories have paid at least 5 annas per maund last year, and this year the price paid would exceed 6 annas per maund. Therefore, I think the charge against the factories that they have paid lower prices for cane, that they have exploited the grower has no foundation.

The second charge against the factories is that they have exploited the consumers. Here, again, the position is this. The Tariff Board had contemplated at the beginning of the period of protection the price of sugar to be in the neighbourhood of Rs. 9-3-0 and at the end of the period Rs. 7-12-0. During the course of one year the factories have so developed that the price has come down to an average of Rs. 7-12-0 within two years of protection, which the Tariff Board had contemplated at the end of the protection period. During the course of one year the consumers have saved Rs. 3 crores by

paying a lower price for their requirements of sugar. Supposing there was no big factory, what would be the position to-day ? Have the Government removed the surcharge from the income-tax, or super-tax, on cloth, or any other article ? Why, then, can anybody think that the Government would have removed or reduced either the duty of Rs. 7-4-0 per cwt. or the surcharge of 25 per cent ? Therefore, the position comes to this, that the consumers would have paid Rs. 3 crores more for their requirements of sugar than they have paid this year. These are matters of calculation and facts which nobody can dispute. While on the question of the price of cane, I have also to tell you that the big factories consume cane to the extent of 7 million tons, out of a total estimated weight of about 55 tons. The big factories have not only paid a high price for these 7 million tons which they have consumed, but they have benefited the farmer in every part of the country to the tune of 8 crores in addition to what they themselves have done. As must be well known to many of you, last season the average price of gur was Rs. 2 per maund and this season, in spite of the fact that more cane has been grown, the price realised by the farmer for the gur is Rs. 3-4-0 per maund ; that is, the price of gur realised by the farmer is 50 per cent higher than what it was last season. How can it be explained ? It can only be explained by this that the big factories by increasing their consumption of cane have created a shortage of the commodity and by purchasing gur from the very start of the season for the purpose of refining have created a demand for that commodity and thereby raised the price of cane for every grower of cane whether he sells it to the big factory or he does not. I have not been able to find anything to disprove what I have said, and those in Government offices have not been able to dispute this point.

Now, as regards the too rapid development of the industry, I have already told you that it ought to be a reason for gratefulness to the industry. I have finished the task which you asked me to do in 15 years, in two years, and there again I lay the charge at the door of the Government. By giving this protection or having this surcharge, they deluded us into the belief that we could put our money into this industry which we did, and we have justified the protection, if at all, given by the Legislature. I say that it would be letting us down if, without having given us any protection, only on account of the revenue duty, this excise duty would be levied. The

result would be that, while in the course of two years the big factories that have been put up will suffer on account of the duty, this will help the small man to put up small factories on open pan system, and within two years they will find that the action, which the Government is now proposing to take, will put them in the same unenviable position in which the big factory owner finds himself to-day. Will it be right on the part of the Government to do that thing either with the big factory owner or with the small factory owner?

The Finance Member has said in his speech that he gave a warning last year to the industry, and therefore the industry cannot bring the charge that the industry has been let down. As all of you know, last year the budget was presented on the 28th February. The Finance Member very wisely has not told the Assembly as to how many more factories were erected after the 28th February. I can tell you that of the new factories that have been put up during the course of 1933-34, if not 90 per cent, fully 80 per cent must have been —the machinery for them must have been ordered before the budget was presented to the Assembly, lands must have been taken, and commitments otherwise made. Therefore the warning of the Finance Member on the 28th February could not make any sound businessman, any honest businessman to break his contract with his people as the Government is breaking with the big factories to-day. What the Finance Member said was this:

> "That is the effect of our measure, and, Sir, if anything more were needed to refute these charges of breach of faith or misleading the public and the investors I should like to remind the House of what I said myself in my budget speech of last year. I said:
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> 'On the other hand it would be highly imprudent for those who are investing money in the Sugar business to forget that present conditions are more favourable than those on which according to the recommendations of the Tariff Board they have any right permanently to rely. For that reason a due proportion of the profits that are earned on the present basis ought to be accumulated as reserves; for no right can become established to a continuance of the present position' ".

On the 28th February of last year he gives a warning and he asks the factories that were not erected, that were not started, that were not started even this season at the beginning or at the middle of the season—he expects them not only to run and make a profit but also to build up reserves. All of you who are connected with trade and industry would realise whether it is possible to do so.

The other charge of high profit again is, I think, an insult, if not anything else, to the Members of the Assembly. Sir George Schuster in his speech in the Assembly has said, that if instead of 400 per cent. the profit was brought down to 300 per cent. he did not know what reason there was for any industry to complain. I say, certainly so, but what reason has Sir George Schuster to levy this excise duty ? We estimate that the capital invested in the industry is in the neighbourhood of 15 crores. If it is 15 crores and if we have made 60 crores as profit upon the industry, in the shape of income and supertax he gets 15 crores. So that where is the complaint ? His total income from this source of revenue was only about Rs. 8 or 10 crores, and instead of that, he can rope in all the factories and get 15 crores. Why, then, does he complain about his shortage of money or about anything else ? He ought to refund to the industry 5 crores and give us a subsidy so that we may be able to export sugar to other countries.

Gentlemen, there is no doubt that factories that were existing before protection came did make reasonably good profits. There is no doubt that factories put up in the year 1932-33—some of them made good profits. But is that any reason why efficiency should be taxed ? Are there not factories that lost money last year, are there not factories that have lost money this year ? Are there not factories that existed before protection came, which have not only lost their capital but also their borrowings ? Year after year they were not paying any dividends. The factories to which Sir George Schuster referred—were their capital not reduced ? Were not their shareholders not getting any dividends for years and years altogether ? What harm is there, then, if the industry for a year, or for 2 years or for 3 years, made a little more than what was justified ? If necessary, I can prove to you that the very factory the name of which was mentioned by the Finance Member has not made half of what he thinks it has made ; and there is I may tell you a unanimous feeling amongst those who have met in Delhi from among the sugar factory owners that they will be perfectly prepared to hand over their factories to Sir George Schuster if he will give them 10 per cent during the whole period of the protection, if he thinks that they have made any heavy profits. Then, gentlemen, coming to the figure of Sir George Schuster of a crore and 47 lakhs of rupees I have to say this that even this figure of 147 lakhs is again wrong. He has based the

income at 586 thousand tons of sugar. According to his adviser, the Sugar Technologist, the production of sugar in the factories in the year 1933-34 is expected to be in the neighbourhood of 600,000 tons. Then the Government also says that 70 per cent of the sugar made on the old system will come under the proposed duty. Therefore the income of Sir George Schuster increases to above 2 crores of rupees and there is no reason for him to charge a duty at the rate of Rs. 1/5 and if the sugar technologist's figures be taken then his estimate is that there are 135 factories working. Their average working days will be 135. Their average capacity is 440 tons and at that rate his estimate comes to 725 thousand tons. In addition to that according to the Government, not according to me, the refineries will not stop and they will also do over 100,000 tons plus the 175 thousand tons of the khandsari sugar will come into it. That is there will be sugar which will come under the operation of the exise duty to the quantity of over 900,000 tons which will give him in the neighbourhood of 2.1/2 crores of rupees. Therefore I think the figures given by the Finance Minister are wrong and he cannot justify a duty on that high figure. Coming to the question of duty, there is another thing that I have got to tell you. There is a general belief not only amongst the general public but also amongst the members of the Assembly that this duty is a very very exceptional one only in the case of India and that the rest of the world's consumers are getting scot-free. You will be surprised to know that in Germany the duty on sugar is Rs. 13/7 ans. per cwt. whereas in India it is Rs. 9/1. Czecho-Slovakia is paying customs duty of Rs. 14/2 per cwt. on the sugar imported and France is paying Rs. 14/4. Even in England itself which is like India a sugar producing country the duty is Rs. 9/5 per cwt. and in Australia there is a complete prohibition against imports of sugar. Nobody can export sugar to Australia and in addition to that these countries have no excise duty. In spite of the fact that they are sugar-producing countries, the consumers there have to pay for sugar at the rate of 13 or 14 or 9 or 12 Rupees per cwt. Even then there is no duty. Why this particular thing is brought in only in the case of India is very clear to me. Then as regards the duty, there is another thing that has got to be borne in mind. As I have told you before, the Tariff Board contemplated that the price of sugar would be at the beginning of the period of protection Rs. 9/3 and the price today is Rs. 7/12, that is, it is much below

the price contemplated by the Tariff Board and you have also to remember that the Tariff Board when fixing this price had contemplated that the factories will realise a good value for their molasses which today is unsaleable. In spite of that the price of sugar is almost the price contemplated by the Tariff Board at the end of the protection period and at the ports today at least at some of the ports today the sugar is selling below Java parity so that the surcharge is partly inoperative as it is whereas we believe that the surcharge will become at certain ports wholly operative next year because so far as I know it is partly inoperative in Madras and other places. Well, the position of the surcharge is this, that it is partly inoperative today and we think it will be wholly inoperative next year. This excise duty is not an ordinary finance Bill but it is a duty which will remain for all time and will never be removed. The Finance Minister himself has said that certain conditions were created and that in the letter and spirit they are giving that protection but he also admits that the Government has made a change in those conditions. Now, what I would request you to very carefully think about is this, whether it is going back upon the word which indirectly the Government admit is in the interests of either the industry or the grower. The position is this, that when the Fiscal Commission reported that any industry which at any time can become self-supporting should be protected on that basis, the Assembly gave protection to this industry. Today the Government cannot go back upon it and say 'Well, we are not going to give you protection'. They are going to create conditions which were not contemplated by the Tariff Board and those conditions are that two years ago in 1932 the Assembly said we want to compete with Java and agree on a certain condition. Well the industry within a period of two years created conditions when they did not require that protection and they hoped that within perhaps the first period they would not require protection but does the Government think that their action now will ever make the country self-sufficient in the matter of its requirements of sugar. Supposing the big factories disappear, what will be the position of the country ? Why should the consumers have been put to all this loss at all ? If the idea was that with their low recovery and the low prices of cane they could not compete in the past, in spite of the duty will they ever be able to compete in the future ? The Finance Minister has said that the protection given is extremely generous. I think the Government does not easily and without careful consideration accept the Tariff

Board's reports. In one case they sat upon it for 18 months and they have never agreed in toto to what the Tariff Board has reported. It is a condemnation of their own intelligence that they did something which they did not intend and for which they did not give the consideration they ought to have given and therefore I say they ought to learn at least now. They are now making the same mistake as they made before. If they made the mistake of giving generous protection, now they are making the other mistake of taking it away. The Finance Minister has given us a lecture that the industry should learn moderation. I think if the Government of India learn moderation in the matter of levying taxes, in the matter of increasing expense, I think the country would be much better off than it is. Sir George Schuster has also said that we have boasted or at least one of us boasted that we not only want to produce our own requirements of sugar but we want to export to other countries and this duty will help us in making ourselves efficient. I say, Sir, this is almost an insult to us. Has any industry achieved in such a short time what the sugar industry has achieved. It is a highly technical industry. It is not an ordinary industry. There were only 25 factories when the protection was given. Today there are 140 odd factories. There are not enough chemists in the country. There were not enough chemists in the country then and what the industry has been able to do with unskilled labour and inefficient labour ought to command the admiration of the Government, instead of their preaching to us about inefficiency. Lastly I will only say that no doubt the Finance Minister has indirectly accepted that the conditions have been changed but I think the wording is such that there might be a little misunderstanding amongst the internal competitors. I at once beg to tell you that although we are here to protect the industry, at the same time we want to protect the grower more than ourselves because after all he is our best customer. With these words I would request you to enter your emphatic protest against this excise duty as it is and the Bill and its different conditions. I am sorry that I cannot explain to you the particular conditions of the Bill against which we have objections but since we are objecting to the entire Bill, I do not think it is necessary and I have already taken up too much of your time. (Applause).

Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta):

Mr. President and Gentlemen, The previous speaker has charged the Government of India with breach of faith in this matter. Perhaps the defence of the Government of India would be that although on many occasions the Government of India make promises sometimes by word and sometimes by action, the history of British rule in this country shows that they never keep their promises and therefore their contention would perhaps be that they never make any faith with any section of the people in this country and therefore they can never be guilty of any breach of faith. The second thing that Lala Shri Ram has proved to you is that the Finance Member has made a mistake in the calculation of figures. Sometime ago I read what I then thought was a very humorous article by a friend of mine Mr. G. L. Mehta in the INDIAN FINANCE about the suspension of the laws of arithmetic in the Assembly by Sir George Schuster. Little did I then know that Mr. Mehta was going to be a very correct prophet. At least in this case Sir George Schuster has absolutely suspended the laws of arithmetic in every particular of his speech and in every particular of his calculation of the amount that he would obtain as a result of the excise duty. Firstly, Lala Shri Ram has already pointed out that Sir George Schuster has said that 'what does it matter to the industry if their profits are reduced from 400 per cent to 300 per cent'. Now, on what Sir George Schuster has calculated his 400 per cent profit or 300 per cent profit he has conveniently abstained from mentioning. I myself believe that if he has not suspended the laws of arithmetic he was perhaps calculating 400 and 300 per cent neither on the capital nor on the block account but perhaps he got figures of preliminary expenses incurred in the flotation of a company because it is only on that the figure of 400 or 300 per cent may come about.

Mr. Sidhwa: He said that Mr. Mody told him.

Haji Abdoola Haroon: He mentioned in the Assembly that Mr. Mody told him that in Belapur the shares which could not be sold for Rs. 2 were selling now for Rs. 184.

Mr. D. P. Khaitan: I am obliged to the Haji Sahib for informing me that it was in Belapur that he calculated those figures but even in Belapur the figure of 400 and 300 cannot arise. Now, as regards the rise in the shares of Belapur, it is well known to everybody that the Belapur factory did not pay any dividend for the last

twelve years and during the depression a large number of shareholders were forced to sell their shares and there were no buyers whatsoever, and some of the shareholders had to sell their Rs. 100 shares at perhaps Rs. 20 and they were distress sales. (A member: Even Rs. 2/-). The sales might have been even at Rs. 2/-, but I have heard of Rs. 20. I do not know. But there was any amount of distress. I do not understand how Sir George Schuster can build up any argument upon that, because a shareholder had to pay originally Rs. 100 for his share, and if the shareholder has had to wait for at least 12 years before earning any dividend whatsoever, is it surprising that because of this protection and because of his being able to make profits and because of the factories being situated at a good geographical position, the value of shares should rise to Rs. 160? I believe Sir George Schuster has not compared the rises in the value of the shares of the jute mills. He evidently ignores it. There also the prices of shares have gone up but he has not put any handicap on the jute industry—not that I wanted it—but Sir George Schuster would not have the courage to impose any such handicap on that industry. Now the figures of dividends have been carefully compiled by Mr. M. P. Gandhi, in an excellent book, "Sugar Industry", and from page 282 of that book it appears that even in the case of old companies, in the year 1933 the dividends were as much as 10 per cent., 16 per cent., 6 per cent., eleven per cent., 3.2 per cent., and as regards newly-established companies the dividends declared were 5.9, 8.5, 4.8 and 2.6 per cent. only. Surely these are not such large dividends as to provoke the jealousy or envy of Sir George Schuster to give a parting kick either to this country or to an industry which has been built up so nicely during two years. Now there is another thing to which I should like to draw your attention although there might be a little repetition. Lala Shri Ram has given you figures supplied by the Sugar Technologist and if you will again refer to the book of Mr. Gandhi you will find that the production of cane sugar in the year 1934-35 is expected to be 8,75,000 tons and from gur refineries 75,000 tons, totalling 9,50,000 tons in the year 1934-35. Converted into maunds, they come to about 2 1/2 crores of maunds. Now Sir George Schuster wants a revenue of only Rs. 1,47 lakhs. What reason is there that he should impose an excise duty of Rs. 1/5 a hundredweight on a production of 2 1/2 crores of maunds? The excise duty which Sir George Schuster needed would be only less than 14 annas per hundredweight or less than ten annas

per maund and this excise duty would give him the whole of the revenue that he needs. Therefore, there can be no justification whatsoever for Sir George Schuster to levy that high rate of excise duty and to levy it with the obvious intention as he himself expressed it so that the industry might not develop. In these circumstances, I hope you will pass this resolution. (Applause).

Seth Haji Abdoola Haroon (Buyers & Shippers Chamber, Karachi):

Mr. President and gentlemen, both the previous speakers have covered most of the points concerning the sugar industry, and I give my wholehearted support to the resolution. Of course everybody knows, as my friend Lala Shri Ram said, that protection as such to the sugar industry was never given by the Government of India. If you look into the history of the sugar industry and the history of the revenue duty, you will find that till 1930 the duty was Rs. 4/8. On 1st March 1930 it was raised to Rs. 6 and in March 1931 it was raised to Rs. 7/4 ; and in September 1931, with the 25 per cent. surcharge it came to Rs. 9/1. Till that time no sugar protection Bill had been passed, and to-day, as the previous speakers said, Sir George Schuster said in the Assembly that a high protective duty, three times more than the real value of the duty, has been charged to the consumer, and therefore this high protective duty cannot last long, and so he suggests he should put up the exise duty. Sir, the Finance Member has power behind him, whereas we the simple merchants and manufacturers have no power behind us. We have only to agitate, complain, protest and so on ; the real power lies only in the hands of the Executive Government. Sir, you all know very well that the sugar industry was started in India since 1905, and you will see from the figures how the sugar mills sprang up in this country. If you look into them, you will find that in 1929 there were only sixteen or seventeen factories. When the new revenue duty on sugar was increased, immediately in 1930 from 16 or 17 sugar mills they went up to 26 mills, and in 1931 when the sugar duty was increased to Rs. 7/4 (all this revenue duty, mind you, not protection for the sugar industry), the mills went up to 57. Of course when in 1931 the sugar duty came up to Rs. 9/1 and the merchants thought that on account of the financial difficulties of the Government of India they could not reduce all these revenue duties, the merchants

commenced to put up their capital vested in the sugar industry and I must say that fortunately or unfortunately on account of all these heavy customs duties, most of the people who were doing import business suffered great losses in our trade and we in fact lost our trade, our capital lay idle and we could not utilize our capital in any way, and so we came forward to put our capital into this industry on the assumption that the Sugar Protection Bill was already passed and that we would have protection for the next seven or eight years. However, we have commenced to put our factories in order but to-day we find that 75 new factories were erected only in this year. Now whoever erects a sugar factory knows the difficulties of the sugar industry: the lack of chemical people, untrained labour, lack of engineers and organization and of all sorts of people who are necessary and all these cannot be completed within a few months or a year. To-day Sir George Schuster said in the Assembly that we are charging double the price compared with the price for the sugar that Java is producing. Sir, I want to inform you that 20 or 25 years ago Java could not produce sugar at a cheap rate. To-day they are producing it cheap because they have organized the sugar industry, they have put their mind into the cultivation, their Agricultural Department is engaged in scientifically improving the variety of cane and the quantity and quality per acre and so on. The Government of India consider that within a few months only we ought to be able to improve our sugar industry. Sir, we must, I urge, be allowed time to put our heads together and put our house in order and train our labour, but to-day the Government comes up with a Rs. 1/5 excise duty on sugar. Sir, I want to remind the Honourable the Finance Member as to how his own nation has been supporting the sugar industry in England. Sir, in 1925 the British Government in England came forward with a scheme for producing sugar in England. What have they done? The import duty in England at that time was 11s. or 14s., I do not exactly remember, but they gave a bounty. And of what amount? 25 shillings and 6d. to whosoever produced a hundredweight of sugar, and according to that plan since the last ten years—it was guaranteed for ten years, and this is the seventh year and I think at present they are giving 7 shillings and odd per hundredweight as bounty to whosoever produces sugar in England. I read sometime back that up till now £ 29 million have been paid out by the Government in the shape of bounties to sugar manufacturers in England. Our Finance Member surely must know

very well that his own nation has paid out £ 29 million as bounty to the sugar manufacturers, whereas we in India do nothing. Of course the Government of India have lost this ten crores of rupees income from the customs but we have not charged the consumer any price more but rather 25 per cent. less than they were previously paying for their sugar consumption. Sir, my difficulty to-day is this that I want to oust the foreign sugar from this country. I have to manufacture sugar in the United Provinces or in Bihar and to send it for sale to Bombay, Karachi, Madras and Calcutta. For that, I have to pay the railway freight. To-day, after paying the railway freight I am competing with the foreign sugar in Karachi, Bombay, Madras and Calcutta markets.

A member: Bombay is selling foreign sugar at Rs. 3/4, and at Rs. 3/8 per Bombay maund. Indian sugar is available at Rs. 3/12.

Seth Haji Abdoola Haroon: I beg to inform my Honourable friend that in Indian sugar there are different qualities. Kyser factory sugar is of the first quality and on account of sentiment or some such thing it is the finest sugar in India and I might charge two or three annas more but according to the market prices (I have read the market prices in Bombay) I find that Java is selling at Rs. 14/2 and this Kyser factory sugar is selling in Bombay at Rs. 14/5 c.w.f. But many other mills are selling at 8 annas less than Java. They are inferior in colour.

A member: It is not correct to say. The prices in Bombay are lower.

Seth Abdoola Haroon: Sir, there is some standard. You cannot buy, for instance, Lipton tea for less than Rs. 1/12 per lb. but you can buy for annas 12 some other kind of tea. But on the average the price of sugar is 25 per cent. lower in the United Provinces and in Bihar and the Punjab. Sir, the Finance Member told us about the efficiency and ability to conduct the sugar industry. I want to inform the House that the efficiency and ability cannot come within a day or a month or a year. If you look to the history of the Java sugar manufacturers you will find that 20 or 25 years back they were unable to produce more than 3 to 4 hundred maunds of cane per acre. But within the last 20 years on account of scientific research in agriculture they are producing today 1700 maunds per

acre. How can India compete with Java within a year? In India the production of cane is from 250 to 300 maunds per acre and we have got to spend some money on research. I think India can produce within a few years 6 to 7 hundred maunds per acre and there will be more juice in the cane than is the case now. But if Government comes forward without giving us any time and levies this excise duty, what can we do? Nobody can say what will happen next year and in 1936. Therefore on account of this breach of faith the Indian public cannot come forward to put their capital in this industry. Sir, till last year the manufacturers of sugar got lots of orders in India, but for the last two or three months because of this rumour about the excise duty not a single factor has put an order with the manufacturers. I know that India even today is unable to produce sugar to the extent of her requirements. India probably consumes more sugar than is estimated by the Government. But India cannot consume more sugar if the prices are put so high. Sir, if you will look at the figures of the imports of sugar, you will find that when the price of sugar is cheap the consumption is more. When the prices are high, the consumption is less. If the Government wants to help the sugar industry, they should not come forward with things like the excise duty or things of that type.

Then, Sir, there are lots of things still remaining to be done. First of all, I wish to draw the attention of the House to the fact that at present all the Indian States, especially Indian States with sea ports, are importing sugar from foreign countries. The Kashmir State, for instance, gets some benefit of import duties on foreign sugar whereas they do not allow the import of Indian manufactured sugar in their State because they are not getting it duty free. So, Government have to consider this point. At present about 100,000 tons of sugar is consumed in Indian States. I have already raised this point. We the Indians are allowing these States to import into British India things like cotton without charging any duty on it. Besides, there is lot of smuggling going on all round the coast and lately goods have also been imported in the Kelat State and smuggling is going on in certain parts of Sind, Punjab, Quetta and Baluchistan. Of course, Government may say that we are making profit on sugar to the extent of 3 or 4 hundred per cent. But my friend Mr. Khaitan has already quoted figures to disprove it. Unfortunately, Sir George Schuster quoted the figures of those mills which are the oldest in

India. He did not quote figures of those mills which have been running, say, for the last one or two years. However, we are doing our best to protest against the imposition of the excise duty but the experience shows that Government will never hear us. They want money to balance their budget but let me tell Government that they cannot balance their budget by these means. The Finance Member had been trying his best for the last five years to balance his budget without success. He has already increased the customs duty and the rate of income-tax but what is the result ? Previously they used to get 46 crores from customs and now also they get the same. In previous years they got 19 crores from income-tax and the surcharge and in 1930 they could get only 17 1/2 crores and last year they got only 16 crores. In the same way, if they raise the excise duty on sugar, the result will be disappointing to them. However we are doing our best and whatever you want us to tell them we do that. I remember the story that was mentioned by my friend Mr. Shri Ram. Sometime ago there was a Nawab or a Raja in the Punjab and he wanted some money. So, he caught hold of a rich man and levied some fine on him. The rich man went to the Nawab and asked him why he was fined. The Nawab said : "I must get money whether you are in fault or not." The same is the case with Sir George Schuster. He wants money whether the particular industry can bear it or not. Whether we are able to bear it or not, we must pay. With these words, Sir, I support the resolution.

*Rao Bahadur Seth Shivratan G. Mohatta (Karachi Indian Merchants Association, Karachi) : Mr. President and brothers. This is my first opportunity to speak in this House and I hope you will have the patience to listen to me for a few minutes. I think we, the Sindhis, should be treated as members of the depressed classes. I hope my Sindhi friends will not be angry with me when I say so. I mean that, industrially speaking, they should be treated as depressed classes. We are not industrialists. Therefore those who come from Bombay, Calcutta and Madras will give us a few more minutes than they have given to other people. I at the same time assure the House that I will not take up your time unnecessarily. Besides, I am not a scholar and I cannot speak fluently. In fact, I had been under the impression that I will be able to speak in Hindi.

*Speech not corrected.

But as the resolutions of our Federation are to be published and Government cannot see them until they are published in English, I do not want to make my province suffer if I speak in Hindi. With regard to the question under discussion, there are two viewpoints to be taken into consideration. The point of view of the consumers and the point of view of the industrialists. I should like to speak on behalf of the consumers first because I am both a consumer and an industrialist. I may say that the consumers will not suffer because as my friend Seth Abdoola Haroon said just now they never got sugar cheaper than what they are getting today. The consumers never got the sugar cheaper and because of this protection duty the industry has been helped, therefore the consumers have not suffered. Now, I also know that Government has not imposed this protection duty because they are anxious to give an impetus to this industry but because they want more taxes from the United Provinces and the Central Provinces which have not been paid lately. I think the agriculturists have been able to pay their arrears on account of these factories which give them good money for their cane just now. Now, let me come to my point. The consumers have not suffered but the industrialists are sure to suffer. Another point is this. The consumers have not suffered because this industry has been able to employ thousands of people who were unemployed. I may assure the House, speaking as a capitalist, that we have no idea of making the consumers suffer in any way. Therefore the industrialists would not have come forward if there was no assurance of 30 to 40 per cent profit. Therefore when this protection duty was put, 30 to 40 per cent profit was assured. If some excise duty is put, what will happen? The industrialists will never come forward to start any new factory in the future because they will think that the moment they will start a new factory, excise duty will be levied. Therefore I appeal to the consumers that they should not kick up a row because the industry is making 20 per cent or 30 per cent. The industry is making this profit only for the last two or three years. There is so much internal competition that it is impossible for the industry to make any more profit.

Now I come to the question of Sind. I am not a provincialist, I am not a communalist, I belong to no community, I am only a Sindhi. When some gentlemen asked me whether I was not a Marwari, I told him that I was a Sindhi first and last. I remember that Sir P. C. Ray of Bengal accused the Marwaris sometime ago that

they go to Bengal and make money and then settle down in Marwar. I want to say that wherever we are we must try to remain there. That is why I say I am in favour of separation of Sind because we Sindhis want to develop our own province of Sind. If this excise duty is levied then we, the Sindhis, will have great handicap. My friend Lala Sri Ram referred to the fact that boy who was only ten years old passed his Intermediate examination and so the educational authorities made the B.A., and the M.A. courses very difficult for that boy so much so that he could not pass the same even in 20 years. So far as Sindhis are concerned, they are like Harijans, they are the depressed classes, they have not even attained the Intermediate standard and how do you expect them to get through the difficult B.A. and M.A. courses. So when Sind is so very backward industrially how can you expect it to be able to bear this excise duty. I am therefore opposing this duty on principle. If you put a duty on all the infant industries how do you expect other industries to be started. For instance so far as I know there is no motor car industry in India. Even if the Government should offer 300 per cent protection, nobody will start the motor car industry for fear that at some later time the Government would come forward and impose an excise duty. In this way all the capitalists would fight shy of investing their capital in any venture. I do not say that capitalists would require huge profits. They must be satisfied even with 5 or 6 per cent (hear, hear). On principle I oppose this excise duty. Even if the Government have made up their mind to levy this excise duty, they should make an exception in favour of Sind just as the Government have done in the case of Bengal so far as jute duty is concerned, that is the Government have given Bengal a portion of the jute duty. Similarly I appeal to the Government to give this depressed province of Sind some protection so that we may develop the industry and so that we may compete with our Bombay brethren (applause). I therefore hope that my friend Seth Haji Abdoola Haroon who is very much in favour of separation of Sind will at least for the sake of Sind table some amendments in the Assembly and even if his amendments are lost, I hope that he will put in amendment for the sake of the Harijan province of Sind so that it may be left out of this excise duty. With these words, I support the resolution.

*Mr. K. Shama Iyer (Mysore Chamber of Commerce, Bangalore): Sir, the levy of an excise duty of Rs. 1/5 per cwt. acts

* Speech not corrected

as a very heavy handicap to the nascent industry so far as South India is concerned. As against the nearly 100 factories that have been started in northern India, we have only less than a dozen factories in Southern India, out of which barring two all are new. The price at which imported sugar is being sold at the various places has gradually dropped from Rs. 32/- to Rs. 27-2 per bag of 2 cwts. As a matter of fact the ruling prices for Indian sugars in the Madras market is Rs. 26-2 to Rs. 26-10 as against Rs. 27-2 of imported Java sugar. This fact must convince the Government of India that the consumer's interest is quite safe at the hands of Indian factories and that internal competition can be relied upon to keep the ruling prices to the minimum. The factories that have sprung up and are still springing up are expected to make India self-sufficient by the end of 1935. The excise duty therefore comes like a bolt from the blue hitting the factories very severely at a very critical stage in their infancy. All of them came into existence in the full belief that the degree of protection enjoyed would not be reduced all of a sudden as though the Government is trying to uproot a pet plant just to see how it grows. If the excise duty were to be imposed just one year afterwards, perhaps we would not have had so much ground to complain. Companies are still being floated, factories are being erected, and machinery is still on the high seas. It is at this critical stage that the infant factories are asked to revise their estimates of profit and pay Rs. 2-10 per bag out of their pockets. This payment is to be borne by themselves because the market price is regulated by prices of Java sugar.

It is urged that according to the Tariff Board the revenue surcharge of Rs. 1-5 per cwt. is superfluous. But it must be understood that there are two serious miscalculations in the Tariff Board's Report. First is the price of molasses which instead of fetching any price has become a nuisance difficult to be cleared. The second miscalculation is the possible fall in price. It was beyond the imagination of the Tariff Board that prices would fall below Rs. 3-8 per maund; but to everybody's amazement the prices have fallen as low as Rs. 3-2 a maund.

Now, I must put in a special word for the palmyra jaggery sugar. The Indian Tariff Board rightly calculated that under their scheme of protection it would not pay to refine sugar from jaggery

and that the industry would slowly disappear. But the palmyra jaggery refining industry must remain because it is impossible to make sugar directly from palm juice. For one thing the juice has to be made into sugar within 5 or at the most 6 hours of tapping, while tapping is done only on an extensive scattered area. For another thing the percentage of molasses is much higher than in the case of cane jaggery. For these reasons the industry of palmyra jaggery sugar is under peculiar handicaps and it requires to be exempted from the application, if any, of the new excise duty. I therefore support the resolution.

Pandit K. Santanam (Indian Life Assurance Offices Association) : Mr. President and gentlemen, you must have read the two speeches made by the Finance Member on the sugar excise duty, the first in connection with the Finance Bill when he indicated that he was going to impose an excise duty on sugar and the other when he introduced his Sugar Bill day before yesterday. That was one of the most amazing performances I have ever seen. I have always found that when a Finance Member introduces a Bill for imposing a new duty he brings out an array of figures showing the reason for imposing this duty whether it is only for revenue purposes or whether it is for the purpose of taxing an industry which is making too much profits which profits ought to be shared by the country as a whole. The facts and figures are given and then he draws the conclusion saying that he will be justified in asking for this duty to be imposed and coming before the Assembly asking for their vote. In the present case his speech reads more like the irresponsible speech of a tub-thumping street corner orator rather than the speech of a responsible Minister of the Government of India. He has vented his spleen on the sugar industry and I do not know what has given him so much offence that he has been boiling over with rage and instead of giving arguments he is merely using invectives. Gentlemen, you will find if you read both the speeches, there is only one thing running through and there is only one argument he is putting forward (and he is not trying to support it with facts and figures either) and that is the huge profits made by the sugar manufacturers. I ask you to glance back just to two years only and consider under what circumstances the sugar protection Bill was passed. Four years ago the total amount of imports into India of sugar from Java was about 1 million tons and the factories in India which were about 20

or 22 in number were producing altogether 100,000 tons, I am of course leaving out of account the sugar produced by the khandsaris and the gur that is manufactured by the old process in India. Factory made sugar consumption was about 1 million tons in those days though it has since fallen considerably due to the economic depression. India was importing 1 million tons and it was found that there was no reason at all why India should not be self-supporting as regards her consumption of sugar. There is cane in plenty in the country, there is labour very cheap in the country and there is capital if it is wanted. There is no reason at all why a country like India by merely importing machinery should not be able to manufacture sugar. It is for this very reason that the Government on the report of the Tariff Board came to the conclusion that everything must be done to give protection to the sugar industry so that India may be self-supporting as regards sugar. The duty was existing at that time, the mills were working at that time and they had to compete with Java and they had a very hard existence at that time, they were living practically from hand to mouth. All the same they were dragging on and they had been going on for a number of years. By the sugar protection bill what the Government did was this, they gave a guarantee to the sugar industry that for seven years to come they will give this amount of protection to the sugar industry and that it would not be taken away and then for another seven years protection would be given on a revised scale so as to see what the state of the industry would be at the end of seven years and to give such protection as more or less as the circumstances would demand. As soon as this Bill was passed, as soon has a guarantee was given that sugar industry could safely start in India several factories were started; and I say it is the duty of the Government to see that it is not swamped by competition from Java. The industrialists in India on the assurance of Government began seriously to consider whether investment should not be made in sugar industry. It was not the protective duty so much as the guarantee given by the Government that this industry would be considered as under the special protection of the Government that made people rush to this industry and start so many factories. As soon as this protection was given in 1932-33, thirty-two mills were started and it is certainly a fact that these old factories which had a struggling existence for very many years and which had paid no dividend for years and years and whose shareholders had been suffering loss year after year did make a fairly

handsome profit, though not handsome enough to make up for all the losses that they had suffered previously. Of the new companies that were started a few that were put up early enough did make a profit. But I challenge the Finance Member to disprove this fact that there were at least about 10 mills started newly which did not make any profits. Furthermore, the last season, 1932-33, was a very favourable season for the sugar industry because it was the first season after the protection had commenced. Cane was plentiful and comparatively cheap. When I say "comparatively" I mean as compared to what it is this year. The price of sugar was much higher, practically at the level that was contemplated by the Tariff Board when this protection was given. Molasses did not fetch the price that the Tariff Board contemplated but it did fetch some prices, and due to all these reasons the sugar industry did make a profit. This profit it is possible for anybody to assess properly even now, and the Finance Member who is in a favourable position to find out has not taken the trouble to find it out. This profit seems to have given great offence to the Finance Member. Seeing this condition last year and seeing also the economic depression in the country, plenty of people who had money and did not know what to do began to rush into this industry with the result that in this present year, 1933-34, 75 to 80 new mills have been started. The total amount invested in this industry in these last two years amounts to well over 15 crores of rupees. Now suddenly the Finance Member comes up with an excise duty, an excise duty which he knows is going to fall on the manufacturer and cannot be transferred on the consumer because of external competition which has not yet been shut out. The development of the industry seems to have given him great offence but I cannot possibly understand why it should have done so. If the criminal law were applicable to such a case I would say that the Finance Member will be guilty of infanticide in bringing this excise duty because he is trying to kill this infant sugar industry. That, gentlemen, is the position of affairs to-day. Kindly calculate what it amounts to. In one year some factories have made a fairly good profit but in the next, that is, the present season, many of the factories started very late and orders could not be satisfied quickly by the manufacturers because there was a rush of orders. They all had to start in the month of January and also in February and you know the sugar season starts in November and it lasts 4 to 4. 1/2 months. Many of the factories started this year and had only a month or two

in this season. Not to speak of making any profits I wonder very much whether 80 per cent of the newly started factories would be able to make up enough to cover their working expenses. And this is the time that the Finance Member chooses for imposing this excise duty. Remember another factor, gentlemen, and that is this, that the conditions that were contemplated by the Tariff Board as likely to prevail at the end of the protection period of 15 years have been realised in the course of two years not only as regards the low price of sugar but also as regards the number of factories that will spring up for the purpose of enabling the country to satisfy its own requirements of sugar. And now that the very thing that they wanted to bring about has come about, they are turning a somersault and are trying to penalise the very industry which they wanted to foster and for which they passed the Bill. We bring a charge of breach of faith against the Government for this very reason that when the price of sugar has come down within the course of two years to a figure we expected would occur only at the end of 15 years, what grouse have you on behalf of the consumer or on behalf of the State against the sugar industry? If the price has remained stationary and if the manufacturers had pocketted all that price you could very well say on behalf of the State that if the consumer has to pay the State is going to have a share. It is not the case at the present day. There is another argument which has been brought forward by the Finance Member of over-production. There cannot possibly be any over-production now because in the very same breath he talks that the probable imports from Java would be 110,000 tons in the coming year. If there is over-production I can say with confidence that no Java sugar could come, specially as the Indian sugar is selling at a much lower rate than Java sugar. He is very inconsistent in his argument. He was cornered by Mr. Ranga Iyer in the Assembly when he talked about over-production. Mr. Ranga Iyer said, if there is over-production, why don't you export this to the colonies because you talk of Imperial Preference and close Imperial economic relations? The Finance Member said, how can I export abroad when your cost of production is about two or three times that of Java? And Mr. Ranga Iyer, said, If that is the case, why do you penalise it still more by putting this excise duty? The Finance Member said that he would give his reasons for it, and we are still waiting for them. Last week in introducing the Sugar Bill he did not give his reasons and I very much doubt if the Finance Member with all

his ingenuity will be able to find any reasons for this step which he is taking and which he cannot justify by any reasoned arguments at all. As a matter of fact it seems to me that the Finance Member has rushed into this thing without carefully thinking about it. He thought that in this present Assembly as it is constituted, he will be able to carry through any measure that he wants. No arguments are necessary and the Assembly is there to register whatever the Government wants. And I think it is only that confidence that has made him bring this excise Bill before this present Assembly and not any inherent merits of the measure itself.

One question has not been touched upon and that is what is called the Khandsari industry. These khandsaris are people with small capital who are producing sugar by power certainly but on a very small scale ; and the question is whether these people are to be penalised or not. Remember that it does not touch the people who produce gur. Those cultivators who produce gur by the old methods are not affected by this Bill at all. It only affects those people who have got some kind of factory, small or big. In one breath he has said that 70 per cent of the Khandsaris will be affected by this Bill and in the same breath the Finance Member in calculating the income that he will derive from this excise duty has carefully excluded this Khandsari sugar altogether. Either one thing is correct or the other. If the khandsari will come into this Bill, then the Finance Member will get much more income than he wants, and so there is a prima-facie case for reducing this duty, if not altogether abolishing it. If it does not come in then the question is whether this industry of the Khandsaris is an industry which deserves protection from the Government. Because it is an admitted fact that the Khandsari does not pay even half as much for the sugar cane to the cultivators as the factory pays, so that in the last resort the cultivator suffers by the Khandsari industry. But that is only for information ; I do not want to go into the matter here but I want to bring to the notice of the members of the Assembly who are here that they will have to give thought to that question before they decide whether they are going to bring the khandasari under the provisions of this Bill or not.

Gentlemen, there is only one point more that I wish to make. It seems to me that there may be truth in the very strong rumour

that is going about that the reason for this excise duty lies in the fact that some kind of pact has been arrived at between the British manufacturer and the Java sugar industry, that is, between Great Britain and Holland, so that England takes all the surplus sugar which is lying in Java. It might also come as news to you that in Java more than 3/4th of the factories have closed down on account of this protection being given in India. There is a stock of 2,800,000 tons of sugar lying in Java for which they cannot find a market. It is rumoured that these British industrialists are coming to an understanding with the Dutch people by which they will be able to sell their production in all spheres to Holland and in return take the surplus stock of sugar which is lying there. It is of course impossible to say what amount of truth there is in this. But considering the light-hearted manner in which the Finance Member has embarked on this excise duty, the lack of arguments that he has got and the lack of foundation for even the little arguments that he has brought forward, we cannot but come to the conclusion that there must be a lot of truth in this ; and if that is so, I would say that it would be the duty of this Assembly, if it is at all alive to its duties, to throw out this excise Bill and show the Finance Member that he cannot ride rough shod over it.

*Mr. Sakhalchand G. Shah (Bombay Shroff Association) : Sir, I have great pleasure in supporting this Resolution. The sugar industry is a natural industry of this country. As a matter of fact we have taught all the other countries of the world how to make sugar and it is rather unfair to penalise that industry which is a natural industry of this country. Sir, it looks to me very strange and almost criminal, if I may say so, on the part of Government, a so-called civilised Government to grant protection on the one hand and within the course of the next two or three years to levy an excise duty on the industry just to penalise the natural growth of that industry. The sugar industry is yet in its infancy and howsoever much the Finance Member may be talking about the large profits, I am afraid that if we do not lodge a strong protest and if the tax is imposed, it will meet the same fate as the textile industry, and our country will suffer a lot. I have therefore great pleasure in supporting this Resolution and I hope it will be carried.

*Speech not corrected.

Lt. Sardar P. S. Sodhbans (Indian Chamber of Commerce, Lahore) : Sir, my Honourable friend Mr. Santanam has already touched the point with regard to the 3 million tons of sugar lying surplus in Java and I will read for your information a passage from a letter which I wrote to the Government of India on behalf of my Chamber of Commerce :

> "It is a well-known fact that Java has got about 3 million tons of sugar in stocks and it is only looking for an opportunity to dump it into India. With a little opening Java is bound to invade India and dump all these 3 million tons of sugar into this country and as the total consumption of white sugar in India is less than a million tons this influx of sugar from Java alone will be sufficient for three years' use of the whole of this country, making it impossible for any indigenous sugar mill to work. It is just possible that with this advantage of Rs. 1/5/- the Java people may bring all their sugar into this country if they depreciate their currency to a certain extent."

In this connection I would refer you to Capital of the 25th January to which I made a reference in my letter.

> "The Java products have, it is alleged, already begun selling in the Indian markets at much below the cost of production with a view, as a sugar magnate in India recently put it, to giving a severe blow to the growing sugar industry of India in the very first year and thereby to ruin it to such an extent that it may not grow and prosper again. In doing so, their intention appears to resume again quietly their former large shipments of sugar to India."

That is the position that is going to be created and I wanted to quote these words from Capital so that all may know how things are going to happen. With these words I support the resolution.

President : I shall now put the resolution.

Mr. R. K. Sidhwa : May I speak a few words on the resolution ?

President : Two members from Sind have already spoken and I think I must put the resolution to vote.

A Member : Everything for sugar and nothing for matches ? (Laughter).

President : Is it your pleasure that this resolution should be adopted ?

The Resolution was passed unanimously.

President : Sir Purshotamdas Thakurdas will move Resolution No. 6.

INDO-JAPANESE TRADE AGREEMENT

6. (i) The Federation places on record its appreciation of the services of the Indian Delegation and the unofficial advisers in successfully concluding the Indo-Japanese Trade Agreement after arduous negotiations and under the most delicate and difficult circumstances.

(ii) The Federation also places on record its appreciation of the services rendered by its representatives and expresses its gratification at the support accorded by the representatives of the Associated Chambers of Commerce to the proposals made by the representatives of the Federation for the protection of small Indian Industries.

(iii) The Federation while appreciating that an opportunity was given to the Government of India for direct negotiation with a foreign government regrets to note that though the terms of the Agreement were settled in Delhi between the Indian and Japanese Delegations the Agreement itself has to be signed in London.

(iv) In regard to the terms of the Argreement the Federation is of opinion that in effect they impose a check on the full and free development of the Indian cotton textile industry and involve the recognition of certain principles and methods which are prejudicial to the industrial and commercial interests of India, in as much as the Agreement entails, among others (a) an arrangement for basing the import of manufactured goods into India in return for the exports of raw materials from which the manufactured goods so imported could be made within the country itself (b) an evaluation of the reciprocity of interests in regard to specific commodities exchanged between India and Japan under varying degrees of necessity rather than in accordance with the more equitable and scientific criterion of the total advantages obtained by the two countries from the entire extent of their mutual trade relations.

(v) The Federation recommends to the Government that in any future trade negotiations this country should not be committed to import manufactured goods in return for the advantage of exporting raw materials from this country, particularly such manufactured goods as can be made in this country from the very materials that are so exported.

(vi) The Federation approves of the provisions made in the Agreement to reconcile the operation of the "Most Favoured-Nation" clause with the exigencies of ordinary foreign exchange situations that have developed in recent times and the necessity of protecting Indian industries therefrom.

(vii) The Federation recommends to the Government that in view of the serious economic disadvantage arising out of the preponderating dependence of India upon certain foreign countries as outlets for the exports of her raw materials and the severe handicap it places upon the country in her negotiations with other countries, immediate efforts be made to remedy the same, and steps be taken to encourage the larger use of Indian raw cotton in India itself and the more extensive cultivation of suitable and necessary variety of long staple cotton.

(viii) The Federation, while appreciating the fact that Indian cotton mills are the largest buyers of Indian raw cotton, requests them to take steps in order to ensure the use of even greater quantities with a view to reduce the dependence upon foreign markets.

(ix) "The Federation urges upon the Government of India to take effective steps to safeguard the interests of non-Japanese shippers of cotton from India to Japan and of non-Japanese exporters of piecegoods from Japan to India as serious and grave complaints are being received regarding the control of the export and import trade between India and Japan in cotton and piecegoods which is not in conformity with the spirit of the Indo-Japanese Trade Agreement."

Sir Purshotamdas Thakurdas: Mr. President and gentlemen, the Resolution which is entrusted to me is No. 6 on the agenda and, as the House will see, it covers the best part of a page. There is also an addition in the Supplement to the agenda adding one more sub-clause to this Resolution. I do not know whether you or my brother delegates here would like me to impose upon them a reading of the whole Resolution as it is printed on the paper, but until anybody suggests to the contrary, I will assume that they will prefer me not to read it. I have however one or two small additions to suggest in sub-clause (2) of No. 6 which, I hope, will meet with the approval of the House. I am referring to page 4 of the Agenda. In line 3 where you have "and expresses complete gratification at the complete support accorded by the representatives

of the Associated Chambers of Commerce," I suggest that the word 'complete' may be omitted, and in the last line just before the last two words 'Indian industries' add the word 'small' Indian industries.....

Mr. Bagaria : On a point of order, Sir, Can a resolution be amended ?

Sir Purshotamdas Thakurdas : I am not amending it. I say that if the House approves of it, I would like to make the amendment, but if my friends think that these corrections are objectionable, certainly.....

Mr. Bagaria : Sir Purshotamdas Thakurdas, please don't misunderstand me. I simply wanted to know on a point of information whether a Resolution can be amended, because I understood that a resolution could not be amended without the permission of the House.

President : It is a verbal change.

A Karachi Member : That was the same case when Mr. Sidhwa rose on a previous Resolution.

President : Mr. Sidhwa did not suggest any verbal change.

Mr. Bagaria : Mr. President ; I don't wish to object, but I am merely asking you whether a Resolution can be amended.

Sir Purshotamdas Thakurdas : I therefore did not say that I wanted to move this Resolution with the amendments. I merely asked deliberately the permission of the House to make these amendments, and if they would like me to move this Resolution with the amendments.

Mr. Bagaria : Of course, with the permission of the House, the Resolution can be amended.

Sir Purshotamdas Thakurdas ; That is what I said.

President : I would ask Sir Purshotamdas Thakurdas to proceed.

Mr. R. K. Sidhwa : I merely wanted to know,

President : I have given my ruling already. You can rai your point later. Sir Purshotamdas Thakurdas will now proceed

Sir Purshotamdas Thakurdas : I will now read the Resolutio with the amendments I propose.

> "The Federation places on record its appreciation o the services rendered by its representatives and expresse its gratification at the support accorded by the repre sentatives of the Associated Chambers of Commerce to th proposals made by the representatives of the Federation for the protection of small Indian industries."

The small addition I make by inserting the word 'small' before the word industries is with a view to make it clear that the representatives of the Associated Chambers did not say anything about the major industries, and I cannot possibly believe that this House would say that they appreciate what the representatives of the Associated Chambers did regarding all Indian industries generally, and that is why it is suggested that if we add the word 'small' before the word 'industries', that addition might meet with the approval of the House. Then again there is the word 'complete' before the word 'support,' and it may be said to be a little exaggeration according to some and therefore the omission of the word 'complete' before the word 'support' is suggested.

Mr. A. D. Shroff : Sir, I think on a statement of fact the Indo-Japanese trade agreement does not refer in any place to small industries.

Sir Purshotamdas Thakurdas : Does it not do it ?

Mr. A. D. Shroff : I should like to know where a reference is made to small industries.

Mr. Kasturbhai Lalbhai : Sir, If I intervene in this debate, it is merely with a view to tell the House from my personal knowledge what exactly took place at Simla. The Associated Chambers of Commerce representatives who came over to Simla were certainly consulted by the Government of India on the minor industries. They did not take part in the discussion of the major industries, and therefore I submit that what Sir Purshotamdas Thakurdas is suggesting is entirely correct. I dare say my three colleagues, you Mr.

President, Lala Sri Ram and Mr. Khaitan will bear me out when I say that the discussion that took place in the course of the negotiations did refer to small industries as such, and not certainly to major industries, in particular, the textile industry. As far as the textile industry was concerned, even our Federation was not represented by all the three representatives namely yourself Mr. President, Lala Sri Ram and Mr. Khaitan ; none of these three gentlemen took any part as far as the textile industry was concerned. I submit therefore that the corrections suggested by Sir Purshotamdas Thakurdas are in consonance with what has taken place at Simla and Delhi.

Mr. Shroff : The point is whether the Indo-Japanese agreement refers to small industries at all.

Mr. D. P. Khaitan : Mr. Shroff is not quite correct in thinking that the Indo-Japanese trade agreement does not relate to small industries. It does contain a clause about most-favoured-nation treatment being given to Japan, and that in the Indo-Japanese trade agreement refers to small industries as also to textile industries. As regards small industries several discussions took place with the Government delegation and it is in regard to the minor industries alone that the Associated Chambers of Commerce's representatives and this Federation's representatives came into contact with each other, and it was gratifying to find that the representatives of the Associated Chambers of Commerce supported the proposals that had been put forward by the representatives of the Federation led by our worthy President, Mr. Sarker. It is in regard to that support which was in relation to the small industries and it had nothing to do with the textile industry to which this clause of the resolution about which Sir Purshotamdas is now speaking relates, and therefore, the clerical mistake which occurred in the dropping of the word "small" in clause (ii) of this resolution must be corrected in my opinion.

The Federation then agreed to delete the word "complete" from line 3 and to put in the word "small" before the words "Indian industries" in sub-clause (ii) of the resolution.

Sir Purshotamdas Thakurdas : Thank you. There is in addition sub-clause (ix) which is in the supplementary agenda, but I do not think I need read it to you. The resolution which I now move therefore is those eight sub-clauses in the agenda proper as modified together with the additional sub-clause in the supplementary agenda.

Mr. President, the first two sub-clauses are, as members will notice, more or less valedictory ones, and to that extent I do not think I need say much on them at all. Regarding No. (i), I am sure the House would like me to couple with it the name of Hon. Sir Joseph Bhore who by extreme patience, tenacity and care and personal attention to these negotiations won the approval and the admiration of everybody who came in contact with him on that occasion. Regarding No. (ii) I have dealt with it and my friends Mr. Kasturbhai Lalbhai and Mr. Khaitan have told you exactly why No. (ii) was drafted.

Regarding No. (iii) that deals with a grievance of the Indian public—that whilst the terms were negotiated here, England is still not prepared to let India have the satisfaction that the actual physical signing of the agreement is done in India. I know that my friend Mr. B. Das raised this question at the very commencement of the Assembly session this year. It is said that this is a purely sentimental thing and there is nothing substantial about it, whether the agreement is signed in England or in India. I have never been able to understand, and I may tell you that several highly placed Britishers in Government service and in the commercial community, have failed to understand, why the Cabinet insist upon this satisfaction not being given to India if it is a pure sentiment. All that I can say is that this condition of India is one which is rather galling to Indians and they feel that they have a grievance because, even when the discussions have taken place and conclusions have been arrived at in this country, it is deemed necessary to take the relative documents to England for signature, which clearly shows that India is still subservient to Britain in this matter. It is said in regard to the signing of the treaty that it can only be done by certain officers who are in London. I should have thought that it would not be difficult for the British Cabinet to trust His Excellency the Viceroy with this matter if they really wanted to meet the Indian sentiment in this connection.

Nos. (iv), (v) and (vi) deal with the subject matter proper, and as you have, to support this resolution, a person of the experience of my friend Mr. Kasturbhai Lalbhai, I would rather leave it to him to elaborate all those three clauses and put before the House clearly that what we want is only the right thing in the interests of India

from the Indian point of view. All that I will say is that in the earlier years India was told that free trade which was good for England was good for India. Those who took part in the Assembly debates in 1924 when the first Steel Protection Bill came up—and that was the first major protection extended to India—would realise how many times we heard it in the Assembly from official quarters and from others that free trade alone would serve the country best and not a protectionist policy. Now, things have changed. When England found that she could not stand against the onslaughts of protected countries during the last few years, England put on protection almost with a vengeance. Overnight Orders in Council were passed and heavy import duties were put either on one score or another. The next stage has been reached in this, namely, England to-day feels that free trade may have been a very good axiom of political economy in the past years when England enjoyed the supremacy of her own manufactured products, but free trade to-day in the world as it is cannot suit her. England has therefore now got to look out for suitable markets, and the negotiations which took place in India, the tug of war which we had, if I may say so, frankly, at the expense of India, as to how much should be given to Lancashire and how much should be given to Japan, all that is matter of such recent history that I need not dilate on it here. But there is one thing in which these negotiations have landed India. At one time, and that was not recently, but after the American War, when England found that she wanted cotton from one of her possessions, Indian cotton was the solicitude and the care of the Government of India, of course at the instance of Lancashire. Her cotton was tried, all sorts of legislation were passed here including that piece of legislation which even to-day no one dare recommend,—the Cotton Frauds Act as it was called—and when the American War was over the interest of Lancashire in Indian cotton came to an end. In fact, you will find it stated that the outcry against Indian cotton in Lancashire factories was such that labourers used to pray, "Oh, God, send us more cotton, but not Surats, not Surats, not Surats.", Surats being the technical term by which Indian cotton used to be known in Lancashire in those days. England hardly then suspected that what she would not use would be used by others who came in the field of manufacture later that Japan would be attacking the piece-goods market not only in India and in the Near East but also in Europe and indeed even in England. A friend who has recently returned from

England told me that he saw Japanese goods for sale in many stores in the East End of London. That to-day is a matter which the great statesmen of England may ponder over, and now they have begun to realize that as India cannot afford to go on taking Lancashire goods—India being dependent on some other country for her export of raw materials—they in England have got to reconcile themselves to Indian cotton. I will deal with some of the problems concerned in this in a minute, but in the meantime I wish to draw the attention of the House to sub-clause (vii) in which in the fifth line, the severe handicap it places upon the country in her negotiations with other countries is referred to. Sir, a very tangible proof of this has become available very soon after this agreement was made. Italy, Germany, Belgium, France, indeed, the whole of the Central Europe, are some of the steady customers of Indian cotton and have been so for some more than 50 years now. When Italy found that in order to sell your raw cotton you have got to enter into arrangements for the import of manufactured goods she has lately imposed an import duty on cotton, and it is a specific import duty on cotton which in the case of Indian cotton—and Indian cotton she takes only of such low qualities as Bengal and Sind and other short staple—works out to as much as 80 to 100 per cent. I mentioned this to Sir Joseph Bhore and he asked me whether I could let him have the official correspondence about it. If India is in that weak position, in which, by stress of circumstances, Indians are unable to control their own destiny in regard to her exports and imports, the India Office being the final arbiter of India's destinies,—this is the condition to which Great Britain has reduced India, namely, that in order to sell your raw produce for the next 2 or 3 or 5 or 10 years you have got practically to say, "Take our cotton and give us something in return", even though it may be something which may clash with our home indigenous industry. I feel that while the Indo-Japanese agreement is only for three years, before that period expires, Government will have to take very great care to see—when I say Government I particularly refer to the Government of India—that they do not put themselves and India in that unhappy position of again being dependent upon an arrangement with a foreign country in order that her own raw products may be sold.

We have heard a good deal about Lancashire taking our cotton. I am not at all surprised that, after all, the hard headed Lancashire

man has awakened to the necessity of seeing that whilst India cannot afford to depend upon another country in order to take her raw products, India certainly cannot, even by ordinance, be compelled to buy manufactured articles from Lancashire. Sir Richard Jackson, who came here about two months back and whose last interview just before his date of sailing we read in the newspapers yesterday, is a person who comes from not the ranks of Government officials in England but is a regular manufacturer in Lancashire. He tried to understand the difficulty of India in this connection when in England. Luckily for the British Government and the British interests and situated as we are in India, luckily also for us, Sir Richard Jackson was sent out. He has gone all over the country and he has definitely come to the conclusion that the problem of India taking more of Lancashire goods is not one which can be solved in the way in which it has been sought to be solved. He realised fully that the main thing is that India's raw produce must be used either in India or must be taken by somebody who is anxious to give India her manufactured articles and he has also realised that India is not in a position of giving Lancashire the long staple cotton of seven eighths inch and longer which Lancashire wants but which also the mills at home want. He has realised that the only way for England is if she really wants to take Indian cotton to take up the short staple and what is called the medium staple cotton. Experiments are being made in Lancashire with it and my latest information shows that Sir Richard Jackson has heard that these experiments which are being made in Lancashire with short staple and medium staple cotton of India are experiments which are promising. I feel that it was very necessary to make clear to the Lancashire spinners and especially to the Board of Trade in England that there is no scope for India to send out any staple cotton at the expense of, and while starving, her own mills, that India is anxious to develop her own mill industry and that the only way Lancashire can fill the gap is by taking over what Japan and other countries are taking over at the moment. Mr. President, I look upon the agreement which has been made lately as an agreement which may have served the purpose for the time being. The Japanese declared a boycott of Indian cotton and whether it was completely effective or not, it certainly did have some effect. Government was pressed to avoid a severe crisis among the cotton growing interests here and they had to devise some method by which they may have a little breathing time and they may be prepared to consider ways

and means of meeting the situation in the future. The best hope that I can extend to the Government of India, for the sake of their own prestige and reputation and of course to us, because the brunt always falls on us and our cotton growers, is that they may not sleep over this for another two years and again wake up one fine morning to find that their expectations have gone wrong. Of course the ideal solution is stated in paragraph (viii) that Indian mills alone should consume all the cotton and we should not be dependent upon our export of cotton outside but to expect that *within* the next three years is simply asking for something which is idealistic. We can only now make up for the lapse of the Government during the last 50 or 60 years by steadily advancing in that direction and I feel very doubtful whether we will succeed to the extent that the mildest amongst us may wish to succeed, unless we are left completely unfettered to manage our own affairs in this connection as may suit India, in the best interests of India. It is for this purpose, Mr. President, that I feel that whatever the new reforms may be and whenever they may come, if they do not make us masters in our own house regarding our fiscal policy, those reforms and the labours spent in achieving those reforms will have been wasted as far as India is concerned.

I now come to sub-clause ix, which refers to what I might call the "jabarjasti" on the part of the Japanese Government in connection with this agreement. What has really happened is this. The Japanese Government, ever since the time, shall I say, the late Mr. J. N. Tata tried to run a steamer line from India to Japan, succeeded in bringing their industry to this combination and unity that no cotton which was not shipped through the Nippon Kaisha Liner would be spun in Japanese mills. All these 25 or 30 years, they allotted the space, it is true. They allotted the freight in Bombay. If an Indian firm got freight or for the matter of that, somebody else, did not make any difference to the Japanese. If you applied for ten thousand bales and you got only 2 thousand none could have a grievance as the rationing was on a pro rata basis. What happened immediately after the recent negotiations were concluded was that in order to give the Japanese firms in India an opportunity of making money in the Japanese market, the cotton of Indian firms was not taken. In fact, official information has been supplied to the Commerce Department that steamers actually went in ballast to Japan because there was no cotton to be shipped by Japanese firms. This

put the Indian shippers to very great loss. The congestion of cotton sold to Japan and awaiting shipment in the cotton market is such that it would not be surprising if by the middle of next month, the stock of cotton in Bombay exceeds a million bales. Against these tactics, as the trade concerned in Karachi and Bombay call it, on the part of the Japanese Rango Kaia, protests have been lodged and I understand that it is likely that somewhere towards the middle of next month non-Japanese firms may get a little increased allotment but I cannot help feeling that the Japanese are certainly not justified in equity in distinguishing between Indian shippers and non-Indian shippers. Whether they are legally and technically justified is a question which I would very earnestly ask the Government of India to have examined. Here is a recognised buyer of a million or a million and half of bales. If all these various tactics are left open, they become a very potent factor in controlling our raw cotton market here and the helplessness of the Indian position is still more heightened. It is necessary to bear in mind that when we take their manufactured article, we also let Japanese control as to when and how much cotton will be taken off our market and in what proportion per each steamer. I call this, Mr. President, an extremely exceptional method on the part of the Japanese Government in dealing with the Government of India and I do hope that the Honourable Sir Joseph Bhore will go into this and put a stop to this as early as possible. (Applause).

Seth Kasturbhai Lalbhai (Ahmedabad Mill-Owners Association) :

I beg to support the Resolution that has been moved by my friend Sir Purshotamdas Thakurdas. If I have ventured to put down my name in support of this Resolution it is merely because of the dangers that lie ahead of us regarding the Indo-Japanese agreement that has been recently concluded and of which I wanted to acquaint this House. Many of us may not be aware of the position how this agreement came about to be concluded in India instead of in Great Britain, for we all know that almost any treaty so far carried out on behalf of India has always been carried out in Great Britain. If this treaty came to be negotiated in India, I believe it has been more because we had at the helm of affairs an Indian who was in charge of the Commerce Department. But for him I doubt very much whether the happy position in which we came to be negotiat-

ing for the first time in the history of India a foreign agreement would have come about. I happened to be one of the representatives who took part in these negotiations and it would not have been in the fitness of things if I were to take part in this Resolution but I do believe that there has been some information which ought to be in the possession of this House. The negotiations that took place at Simla and Delhi in arriving at this agreement show very clearly one fundamental fact and that is this. At the time this agreement was to be negotiated, the Japanese had boycotted our cotton for over four months. The plight of the agriculturist was very serious. The new Indian cotton crop was to be marketed and but for our coming to an understanding with the Japanese, the position particularly with regard to the agriculturist would have been beyond repair. At such a juncture I am very glad and very pleased to see that Indians representing different sections at the Indo-Japanese Conference laid aside their differences and willingly made such sacrifices as they were called upon to do in the best interests of India. That also shows that Indians when called upon to do so can sink their differences and make sacrifices to bring about a solution which will be in the best interests of the country. Had not the agricultural representatives, the textile representatives, the hand-loom representatives, the representatives of the Government of India which comprised the Indian delegation at Simla and Delhi come to a common understanding, I do not know what would have been the result. I do not know whether the Government of India which was in charge of negotiating this agreement would have been able to conclude this agreement as successfully and as well as they did. The Resolution has been dealing with the imports that we have been called upon to take in return for the cotton that we are going to ship or in return for the cotton that the Japanese are going to take from India. Many of you recognise that India happily is to-day in a position combined with her textile industry and her hand loom industry to produce practically 80 to 85 per cent of her requirements. Our imports are round about 800 million yards as against a combined production of 32,00 million yards of mill production and 17,00 million yards of hand loom production ; that is, imports in the near future are bound to dwindle down in the nature of things, for the Indian textile industry has been expanding at a very rapid pace during the last few years in spite of the meagre profits, and in spite of the various impediments it has got to meet with. That being the position, naturally,

the textile representatives could not have been agreeable to allowing imports from a foreign country to be continued but as I said, they willingly did so in order that the agricultural interests, which are the mainstay of the country, should not suffer because of the textile interests; and those of us who were represented at the Conference made common cause and definitely informed the Government that we were quite prepared to make a sacrifice in order that our agriculturists may prosper because on the prosperity of our agriculturists depends the prosperity either of the commercial or of the industrial community. Sir, that position cannot be allowed to be repeated time and again. That was a peculiar position to which we had been driven and therefore, as I say, everyone of us made common cause and agreed that that was the only solution to be had out of the very difficult position to which we were driven. But this very difficulty which we were for the moment able successfully to solve will have to be faced by us in the near future. This agreement will be only for the duration of three years. Three years will pass away very soon; and unless the agricultural interests, the commercial interests and the industrial interests together with the Government authorities make common cause and find a proper solution in regard to the marketing of our surplus cotton, I am afraid the position will be perhaps one of greater danger than the one from which we have now extricated ourselves. I say, Sir, that the position will in future be one of greater danger because the most difficult position is that it is really the short staple cotton which is being exported out of this country. Most of the medium staple or long staple cotton (a very large quantity of it, that is, 80 or 90 per cent. of it) is being consumed in India itself. The Indian mills have increased their takings of Indian cotton from two million bales to 24 lakhs of bales during the last four or five years. That position we can only retain if the imports from foreign countries are to be checked, but if the imports from the foreign countries are to be allowed to inundate this country at a very rapid pace, it will be very difficult for the Indian textile industry as such to continue to take the cotton which she has been consuming. Our production of Indian cotton is round about 4.1/2 million bales, that is, we have a surplus of about 2 million to 21 lakhs of bales to export to various foreign countries. Unfortunately, seeing that Japan has been given this advantage of practically dictating to us the terms she wanted in regard to her exports of textiles into this country, as pointed out by Sir Purshotam-

das Thakurdas, Italy and other European countries are taking up an attitude which is full of complexities and likely to put us into a position from which it may be very very difficult to extricate ourselves. The grievance the Italians have against us is not with regard to what terms Japan has got; their grievance is that while you are imposing a duty which will practically debar imports of piecegoods into this country as far as Italian textiles are concerned, the Japanese have insisted on the most-favoured-nation clause and got it; that is, barring the British Empire, the imports from any country will be treated in a particular way. The Japanese have found themselves that they are not in a position to export any textiles to those countries; and therefore it is not their grievance—why Japan has been given a particular term or terms, but their grouse is that in order to satisfy Japan or Japanese sentiment, why are you sacrificing us who are as good users of Indian cotton as any other country? That is the position. Again with regard to Lancashire, Lancashire, as was pointed out by Sir Purshotamdas Thakurdas, when she found that she was not in a position to increase her exports of piecegoods to this country, has been coming forward with propaganda saying that she is prepared to take up more of the Indian cotton. We shall be only too pleased and too willing to supply her as much cotton as she requires, but the game at the back of it is that once she is in a position to take more cotton, she will be again in a position to come forward and dictate to us and say, "yes, in return for our takings of so much cotton from India, you take so much of our piecegoods". If that is the position we are going to be driven into, then not only shall we not be able to start many new textile factories which were closed down during the last few months but many of them now running will be driven to closing the mills down. That would mean not merely unemployment for thousands of workers engaged in the textile industry but also the perishing of the large capital which has been invested into the textile industry and which has been in a position to supply very large requirements of India as far as textiles are concerned. If we were to be left unfettered in this connection, I should not wonder if India gets into a position within three or four years of supplying all her requirements in the matter of textiles. Unfortunately the belief exists in the public mind that Indian mills are not managed properly, that they are not run on proper lines. Sir, that is not so. If you examine the position, you will find that the internal competition is so great that those who are unable to run

their concerns in a proper and businesslike manner are driven to the wall. They cannot remain for long. The internal competition is too great for them. After all, when I say that we are producing three or four hundred million yards of cloth, we mean that we are producing cloth worth more than Rs. 250 crores, and you can very well imagine why the competition must be keen since fifty crores worth of this cloth is being sold in one part of the country or the other,—one against the other in competition. Therefore, Sir, I submit that what is most important as far as this resolution is concerned is the future and not the present. We have, as I say, glided over the past as best as we could, but the future is full of complexities. A trade agreement will be demanded not merely by Italy and Germany but I believe practically by all countries. To-day the position of the tariff wall in different countries is such that everyone wants to guard her country in such a manner that there may not be imports and there may be only exports. That position cannot last for long. Therefore, trade agreements will have to be negotiated, but we shall have to arrange our sailings in such a manner that, while negotiating those trade agreements we may not be driven into the same position into which we have driven India by concluding this Indo-Japanese agreement, and that I believe is the crux of the whole resolution before us ; and I also personally believe that that thing can only be overcome not merely by the Government authorities, not merely by the industrialist, but by the commercialist, the industrialist and the Government authorities putting their heads together, thinking over it betimes and finding a solution in time. If they send round representatives of the Federation or the Textile Association, when the period of three years comes to an end, I believe we shall be in a very safe position. I submit, Sir, that the Government should take note of it as well as our Federation should take note of it,—as to what solution to offer for the very difficult position to which we have been driven by concluding this Indo-Japanese agreement. The agreement was concluded as I say when we were driven into practically a corner. I submit the Resolution for your approval. (Loud Applause).

Mr. N. C. Ghose (East India Jute Association, Calcutta) : Mr. President and gentlemen, after the resolution has been moved and seconded by my two worthy predecessors, who have explained the whole situation so lucidly, there is hardly anything left for me to

speak in its support. Nevertheless, I feel it necessary to say a few words to explain the full import of clause No. 1 as I have understood it, because there has been a feeling among some members here that this clause conflicts with clause No. 4. The view has been expressed by some of my friends here that the Indo-Japanese Trade Agreement has not been successful. Well, I admit that all the terms of the Agreement have not been equally satisfactory ; it has been clearly explained in clause 4. But gentlemen, I must ask you to realise how difficult and delicate was the situation in which our representatives together with the Government of India's Delegates carried on the negotiations. Japanese cloths were then flooding the country and the millowners were crying for protection, asserting that given effective protection they were capable of supplying the whole needs of India. At the same time, the boycott of Indian cotton by the Japanese spinners made the position of the cotton growers extremely dangerous and panicky. The glut in the cotton market could by no means be eased unless a share of the Indian market were conceded to Japanese piece-goods. The Indian delegates and non-official advisers were called upon to reconcile these two opposite positions and interests. This was undoubtedly an extremely difficult task. Even England and Japan have not been able, up till now, to come to an agreement, so that the fact that the Indian Delegation could conclude any negotiation at all was by itself a great achievement. Judged from this point of view the Agreement was certainly a success and this shows why the resolution should be supported. However, as a matter of fact, in Clause 4 it has been explained that the very delicate situation in which the negotiations took place, was, in a sense, due to the negligence of the Government of India as they did not properly look after the developments in the condition of trade and industry in India and failed to take any defensive action in time. If the Government of India would have taken such measures earlier, then such a difficult situation would not have arisen at all and the terms of the negotiations with Japan would have been much more advantageous to India. We must, therefore, urge upon the Government of India that in future when they negotiate any such treaty with any other power, they should take due caution to ensure that a similar difficult and delicate situation may not arise again forcing India to submit to disadvantageous terms in the negotiation of an agreement with any other country. Gentlemen, with reference to clause 2, our esteemed friend Sir Purshotamdas Thakurdas has

mentioned that the Associated Chambers of Commerce supported us only in regard to the small industries. This may be quite true. Nevertheless, this marks a step, I should say, in the right direction, which the British industrialists in India may follow with advantage in future. At the recent Annual Meeting of the Associated Chambers of Commerce, Mr. Lownie strongly opposed a resolution sponsored by certain sections of British sugar importers for the reduction of sugar import duty. The speeches of to-day regarding the sugar excise duty are, I think, almost in identical terms with what was delivered by Mr. Lownie. This, again, offers a welcome instance of mutual support between Indian and British commercial opinion where common interest is involved. Formerly, of course, there were European industrialists who always paid greater thought to their interests at home than to the Indian interests, but now they are beginning to realise their real position and I think in future they will have to come and join with us in the furtherance of their own interests. Gentlemen, at this fag end of the day I do not wish to take up your time any longer and with these few words I commend the resolution to your acceptance.

Mr. Chunilal B. Mehta (Bombay Bullion Exchange) : Mr. President and gentlemen : On this subject I will say only a very few words. The Indo-Japanese Agreement has been arrived at not only because we wanted to sell Indian cotton but it was also known that the Japanese cannot go on without Indian cotton at all. The Japanese are selling their piecegoods throughout the world and for most of the piecegoods that they are preparing, Indian cotton is a necessity. Therefore the Japanese arrived at this agreement, otherwise the things would have been a little more difficult and the Japanese would have taken a little more stiffer attitude than they actually did. The Japanese are now trying to grow cotton in Korea and Manchuria and it is quite possible that after three years they may be in a position to dictate to us stiffer terms than they have done at present. Our position is a little more difficult. The production of Indian cotton is 6 million bales every year on the average and not 4½ million bales. If we take the average of the crop during the last 10 years, our Indian mills are using about 25 lakhs of bales, about 10 lakhs of bales are being sent to the Continent of Europe and Japan has agreed to take 10 to 15 lakhs of bales. After all, we have to export Indian cotton. The talk of Lancashire taking Indian cotton, especially short

staple cotton, will perhaps aggravate the situation of the Indian textile industry because out of this short staple cotton they might perhaps prepare piecegoods which might compete with Indian mills themselves. And there is no probability of Lancashire increasing their consumption by any substantial amount. The Government of India invited the representatives of this Federation at the time of the Indo-Japanese negotiations, and we would have wished that they would have invited also the views of the Federation before incorporating the Mody-Lees pact in the Indo-Japanese agreement. This they have not done. No invitation was sent to the representatives of the Federation but let us hope that in future Government will invite our views in regard to all such negotiations and not only in one particular aspect. As regards sub-section (ix), Sir Purshotamdas Thakurdas has said that in sending cotton, freight is not allotted to non-Japanese. That is one aspect. The other aspect is that there are Indian shippers of piecegoods in Japan and there also the difficulty is that these non-Japanese shippers of piecegoods from Japan are not allotted freight and are not allowed to ship their piecegoods. We have received a number of telegrams in this connection. Therefore this is a double complaint. All non-Japanese exporters of cotton from India and all non-Japanese exporters from Japan to India have to suffer too much. I do not wish to take much time of the House but these are some of the views which I wanted to place before you. I support the resolution.

Mr. B. Das (Bihar and Orissa Chamber of Commerce): Sir, I am glad that Mr. Kasturbhai Lalbhai made clear the implications of the most-favoured-nation treatment. He made it clear that the most-favoured nation clause agreement means that the British Empire will get 25 per cent preference and all other countries, barring the British Empire, will be charged 50 per cent. Sir, when the leaders who represent the Federation issued their statement to the press, some of us did not appreciate this point and therefore some of us levelled serious charges against Mr. Mody in the Assembly. But in the Select Committee the Government spokesmen pointed out that the Indo-Japanese trade agreement meant that there should be 25 per cent British preference. That means that the mercantile community in India have got a new orientation of their policy. So long the politicians in the country have cried hoarse against Imperial preference but now we find that the trade and commerce in the

future will be regulated by barter and quota basis and we cannot go on ignoring the British Empire. If that be so, Mr. Mody's bargain of another 5 per cent preference is not to be condemned wholesale as Mr. Mody wanted to bring certain advantages to us, particularly to the decadent city of Bombay and the Bombay millowners who are at present suffering from inefficiency and mismanagement. However, what the country condemns is the Mody-Lees pact and approves the Indo-Japanese agreement because of the bargain basis by which Japan will buy 1,200,000 bales of cotton. Sir Joseph Bhore the other day made a statement in the Assembly that shortly there will be an agreement between India and Britain. I believe the representatives of the Federation will be there and when this Indo-British agreement will be negotiated, I trust the representatives of the Indian mercantile community will press for what has been endorsed by the Bradford Chamber of Commerce that Lancashire must at least buy one million bales of cotton from India in the spirit of Mody-Lees pact and in the spirit of goodwill between India and England. Sir, I repeat once again that I misunderstood the Indo-Japanese agreement before and I am glad that my friend Mr. Kasturbhai Lalbhai has thrown light on it to-day.

President : This resolution has been duly moved and supported.

Mr. Bagaria : Before you put the resolution to the vote, may I ask you whether a resolution can be amended with the sanction of the House.

President : Yes.

The resolution was unanimously passed.

STORES PURCHASE POLICY & "BUY INDIAN" PROPAGANDA

"The Federation express its dissatisfaction with the Stores Purchase policy pursued by the various Port Trusts in India which do not take into consideration the wider economic interests of the country and have often acted contrary to the accepted stores purchase policy of the Government of India and the Provincial Governments, and requests the Government of India to direct these statutory bodies to follow the stores purchase policy and adopt the stores purchase rules of the Government of India.

In order to realise the benefit of the centralised stores purchase and to put into operation a common and co-ordinated stores purchase policy of the country, the Federation also urges the Government to direct that the Port Trusts and Improvement Trusts and such departments of Central and Provincial Governments that have not yet adopted the stores purchase rules shall purchase all their requirements through the Indian Stores Department.

The Federation welcomes the decision of the Calcutta Port Commissioners in framing the specifications of the proposed new Howrah Bridge in such a way as to admit of the maximum use of Indian materials, and trusts that the Government of India and the Governments of other Provinces will follow this policy in regard to all future works of magnitude and importance and that it should also be laid down as a matter of policy that preference shall be given to materials manufactured in India and that the work should preferably be carried out through the agency of Indian firms.

The Federation further requests the Government of India and various provincial governments to take effective steps for carrying on and encouraging an extensive "Buy Indian" campaign on the lines of the 'Buy British' and 'Buy American' propagandas carried on by the British and American governments respectively. The Federation also requests all Indian Chambers of Commerce and commercial associations to institute a similar "Buy Indian" campaign."

Mr. G. L. Mehta : (Indian Chamber of Commerce, Calcutta) : Mr. President and gentlemen : The resolution which I have to submit before you has already been circulated to all the member bodies and must have been in your possession and therefore I need not waste your time and mine by reading it out. There has been considerable dissatisfaction in the Indian commercial community with the stores purchase policy that has been followed by bodies like Port Trusts and this question arose in a very acute form in the Calcutta Port Trust some two years ago when, in a particular instance, the Bengal waterproofs were not given preference. Some of the Indian Port Commissioners including myself insisted that the Port Commissioners should follow the stores purchase policy and adopt the stores purchase rules of the Government of India and of the Government of Bengal. This demand, which I believe was a very reasonable and modest one, was opposed by the officiating Chairman of

the Port Commissioners and his opposition was supported naturally by the majority of the Commissioners who are Europeans. The offg. Chairman of the Port Commissioners went so far as to argue that because the revenues of the Port Trust are mainly derived from foreign trade, the Port Trust cannot, in respect of its stores purchase, follow a policy which would put imported goods at a disadvantage. I can only say that this was a case of indiscretion being the better part of valour because no one would seriously argue in an Indian Port Trust which is supposed to be a body of at least Indian trustees if not of trustees who are supposed to protect and promote Indian interests, that for the sake of its revenues, a Port Trust can not give preference to Indian goods. Gentlemen, when even the Government profess sympathy for at least "honest" Swadeshi, as defined by Sir Samuel Hoare, we should have thought that a body like the Port Trust which is under the general supervision and control of the Government of India would not follow a policy which is not only against national economic interests but is against the accepted fiscal policy of the Government of India. After all, it was news to us to learn that the growth and existence of a Port Trust has nothing to do with the prosperity of its hinterland. In the joint note that we, the Indian Commissioners, submitted in reply to the Chairman's note, we even hinted that perhaps the Port authorities in England scrupulously dissociated themselves from the 'Buy British' campaign in order to encourage port revenues. Our resolution was lost and the Port Trust refused to extend the preference to Indian goods or adopt the stores purchase policy or rules of the Local or the Central Governments. We also pointed out in our Note at that time that it was absolutely untrue to say that port administration even in other countries did not take account of the wider and larger national interests. There are countries like Spain and Portugal and even America at certain stages of its economic development which have imposed differential dues on foreign and national shipping. Even in England which is the home of free trade differential port dues are levied on ships which are on the British register and those which are on the foreign register. In Liverpool certain ships are exempted from dock tonnage if they are built in England and go for the first time on their voyage to Liverpool. When the Indian Chamber of Commerce, Calcutta first took up this specific question, the Government of India in their reply stated that the policy of the Port Commissioners was one of economy consistent with efficiency and that the

financial exigencies of the Port Commissioners should also be taken into account. Gentlemen, the Chamber pointed out in its reply that if the financial exigencies of the Port Trust decide their stores purchase policy surely their policy was not different when the Port Trust was flourishing in the past nor have the financial exigencies of the Government of India or the Provincial Governments altered their stores purchase policy. Moreover, if the policy of the Port Trust was one of economy then the Chamber wanted to know what proportion of the goods that the Port Trust purchased from their London Agent were non-British goods cheaper than British goods. Sir, replying to a question by Mr. Gaya Prasad Singh in the Legislative Assembly Sir Joseph Bhore stated last September that the Government of India understand that the policy of the Calcutta Port Commissioners regarding the purchase of their stores is to buy them on the most favourable terms obtainable, regardless of the country of origin. I submit that if this is what the Government of India understand, they do not understand something that is very correct. Recently I wrote to the Chairman of the Calcutta Port Commissioners and I wanted to know in what cases they purchased their goods from their London Agents which were non-British goods. I was informed by him that it is in very exceptional cases that they ever go out of England and they only invite tenders from British firms. In so many cases, as you are aware, Sir, British specifications are necessary and therefore in order to satisfy those specifications British goods only have to be purchased and I can give you a very interesting example of that. Although Indian steel manufactured in India satisfies the Admiralty and the Lloyds tests and comes up to the British standard specification, nevertheless they do not seem to satisfy the extremely high standard of the Calcutta Port Commissioners and they therefore argue that Indian steel corrodes more under water than British steel and they refuse to purchase Indian steel, not merely for under-water work but even for corrugated sheets or even for gates of their docks and they purchased British steel. Gentlemen, if economy is to be the sole criterion, then the purchase should be in the cheapest markets but if preference to Indian goods is to be the criterion, then surely they should adopt the stores purchase policy of the Government. But the Port Commissioners follow neither of these policies. When it comes to the question of Indian and non-Indian goods, their policy is one of economy but when it comes to British versus non-British goods it is one of satisfying

British specifications. Gentlemen, charity in India begins at home, but home is spelt with a capital "H" and you will therefore not be surprised by the policy that is pursued by the Port Trust. Another thing that we should notice in this connection is that the Government of India have an Indian Stores Department which is meant not merely to economise expenditure by large scale purchases but also to patronise indigenous industries. Nevertheless the Port Trust do not utilise the machinery of the Indian Stores Department. Not merely the Port Trusts but also other departments like the Bengal Pilot Service which is directly under the Government of India, Commerce Department, has its own stores purchase officer. When I once, through the error of the Mercantile Marine Department attended a meeting of the Advisory Pilot Committee (Bengal), I pointed out that at least the stores purchase of the Bengal Pilot Service should be effected through the Indian Stores Department, but this suggestion was not acceptable to the Advisory Committee.

The third part of my resolution refers to the forthcoming Howrah Bridge which has been under consideration for a long time. This project is of very great importance costing nearly 2½ crores and the steel that will be purchased on its account only, will be about 30 to 40 thousand tons. Apart from steel, a number of other articles such as paints, varnishes, cement and so forth will have to be purchased. It is for this reason that both the Indian Chambers in Calcutta addressed the Government of India and the Government of Bengal and insisted on the use of Indian materials, Indian talent and Indian agency in putting through such a large piece of work. When this question originally came up before the New Howrah Bridge Commissioners who are the same as the Calcutta Port Trust Commissioners the Chairman in his note at the eleventh hour after the project had been under consideration for so many years suddenly found out the virtues of a particular kind of steel called high-tensile steel. He stated in his note that this kind of steel has been in use in Germany and America and that British firms were willing to supply this kind of steel at competitive rates. That this kind of high-tensile steel has been selected after the British manufacturers have begun to manufacture it is very significant. We insisted that in the first place as in the case of Bally-Willingdon bridge, which utilised a major portion of Indian steel, a similar condition should be laid down in the case of the Howrah Bridge, but this suggestion was not ac-

ceptable to the Chairman. Another suggestion that we made was because we were not then aware whether Indian steel manufacturers could manufacture high-tensile steel, we therefore suggested that two kinds of tenders should be invited one on the high-tensile basis and the other on the mild steel basis, so that we could find out which was in the end cheaper and which would tend to assist the indigenous industry. This suggestion was also not acceptable to the Chairman. Later on it was found that the Indian steel manufacturers were confident of manufacturing this high tensile steel and they are, in fact, anxious to do it provided the specifications are not restricted and sufficient time was given for submitting tenders. The Indian Stores Department give a certain percentage of preference in regard to price to Indian manufacturers and there is no reason why similar preference should not be extended in the case of Indian steel and why the work should not be carried on through Indian agency. The stand taken by the Government of India is that the Port Trust is an independent body and they can not control it. The Port Trust is under the general supervision and control of the Government of India and if the Government can give hints about stores purchase to company managed railways whose headquarters are located 6,000 miles away, surely the Government can exercise the same control over the subordinate bodies situated in India itself.

The last clause of my Resolution speaks about the necessity of "Buy Indian" campaign. I do not think it is necessary at this stage to say much about Indian propaganda, but you, Sir, have referred this morning to restrictions of freedom by Government in various spheres. There is one particular kind of freedom to which I should like to draw your attention and that is freedom of trade. It appears that freedom of trade was seriously threatened by the political movement and so suddenly in January 1932 the freedom lovers in the Home Department of the Government of India woke up to this fact and by means of a series of ordinances wanted to ensure complete freedom of trade in India, so much so that they got shops compulsorily opened and compelled vegetable sellers in Midnapur to sell vegetables in order to ensure freedom of trade. While in other countries the highest officials from the Prince of Wales downwards advocate this "Buy British" campaign, in India I remember in certain months in 1932 the newspapers were nervous to print even small notices of "Buy Indian" or to advocate the cause of swadeshi

for fear of being brought under one ordinance or the other ; so that what patriotism demands and insists in other countries, freedom of trade seems to prohibit in India. You will remember that it was in the interest of freedom of trade that Sir George Schuster refused to prohibit gold exports also. He is as much concerned with freedom of trade like the Home Department. It is therefore essential that not merely by propaganda or resolution to buy Indian goods but also by means of reciprocity in action between industrialists and traders, that this swadeshi should be encouraged. With these words, I commend the resolution to your acceptance.

*Mr. J. N. Bose (Indian Tea Planters Association, Jalpaiguri) : After the excellent exposition of the genesis and implication of this resolution, I need not dilate upon it at any length. I should like to mention just a few points in this connection. It is obvious that despite their intentions to the contrary the Commissioners of the Port of Calcutta, thanks to the interest taken by your worthy President, my friend Mr. Mehta and a few others, have been compelled, rather I should say, to make their specifications for the bridge to this extent that Indian goods would be utilised to a very large extent. That is really not the problem that we want to settle with them. We undoubtedly want them to utilise Indian goods, but we also at the same time want them to go in for all kinds of standards so that there may not be hereafter any difficulty with regard to the differences in specifications which they may insist in order to keep out Indian goods. Similarly, Indian brains and Indian capacity, Indian labour and Indian capital should be utilised. I should also like that in making suggestions to this Port Trust Government might just as well say that goods manufactured within a certain area near about the place where they are to be used should also be procured from the vicinity, and as far as possible goods produced within the province should be utilised within the same province. That will minimise the cost of production and it will to a very large extent reduce the freight.

Regarding the third clause of this Resolution its adoption following the decision of the Port Commissioners to use Indian materials in connection with the new Howrah Bridge will mean th at this

*Speech not corrected.

is going to be a work of great utility to the people of this country in the future and it is also going to educate men and workers towards undertaking big works, towards learning how these things are to be pushed forward and towards operating schemes. Therefore it is only reasonable to ask that Indians should be more particularly given an opportunity of associating themselves with such a scheme.

Then with regard to the fourth clause, my friend Mr. Mehta has referred to the conflict between what he calls free trade and the Government's anxiety to keep law and order in tact. As a matter of fact the making of such propaganda in regard to Indian goods does not lie in the same plane as in other countries. We are faced with very stringent and very effective Ordinances and laws. But the argument may be put in this way that if the people by their own organisation cannot undertake a propaganda of this nature without it being put a stop to, a propaganda which is fair and admitted to be fair, then Government itself should carry on this propaganda as in other countries. In the United States of America the Government itself is carrying on that propaganda, particularly in relation to the solution of the unemployment problem. And in England too the same cry has been raised for some years now. Even His Majesty protested that he could not get a British typewriter and the Prince of Wales is promoting the movement of "Buy British". If this propaganda can be carried on from such high quarters in England, why not in India? This is a proposition which the Government should encourage, and as Mr. Mehta has already mentioned in his speech, there should be a planned programme regarding these things and no haphazard work will do because that will lead to more confusion and probably dissention. With these words, I beg to support this Resolution.

Mr. B. N. Chopra (U. P. Chamber of Commerce, Cawnpore): Sir, I stand to oppose this Resolution. In paragraph 2 when you speak of Port Trusts and Improvement Trusts and Government Departments I do not see why you should not include municipal corporations and other local bodies.

Then in paragraph 3 I do not like this reference to the Howrah Bridge. I know it is a very big project and that for some years it has been exercising the minds of my countrymen in Bengal but personally I do not like that in these all-India affairs there should

be any reference to any provincial project of this nature. In former years provincial problems were sought to be introduced but they were kept out.

President : What exactly is your amendment ?

Mr. B. N. Chopra : My amendment is that paragraph 1 should be re-worded as follows :

"This Federation urges the Government of India and the Governments of all other provinces to follow in regard to all future works of magnitude and importance a policy of.....

President : We should require notice of your amendment and you have not given it.

Mr. B. N. Chopra : I am prepared to withdraw my amendment to the third paragraph but I should like my amendment to the second paragraph to be recorded.

The Resolution was then put to vote and carried unanimously.

The Annual Session then adjourned for the day to meet again at 11-45 a.m. on Sunday, the 1st April, 1934.

SECOND DAY'S PROCEEDINGS.

SUNDAY, 1st APRIL, 1934.

The Annual Session of the Federation commenced its sitting in the Old Assembly Hall, Delhi, at 11-45 A. M., the President, Mr. Nalini Ranjan Sarker occupied the Chair.

President : Before we proceed with the resolution, the ballot papers for the election of 12 members of the committee will be issued.

Ballot papers were then issued.

Mr. G. S. Salariya : We are required to elect 12 representatives out of the nominations made by the different bodies but we have our choice restricted to these names that I find on the list.

President : The member bodies send in their names and these are the persons who have been nominated.

Mr. G. S. Salariya : I was going through the Rules and Regulations and the bye-laws and there is nothing there about sending in nominations.

President : That is the convention for the last two years.

Mr. G. S. Salariya : There is nothing in the rules and bye-laws.

President : Is there anything against this practice ? In order to facilitate the elections, member bodies were asked to send in their recommendations and their nominations have been embodied in the ballot papers here.

President : I now call upon Mr. Khaitan to move the Resolution on Income-Tax.

Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta) : I beg to move :

INCOME-TAX

"The Federation records its sense of deep dissatisfaction with the entire Income-tax policy of Government and recommends to Government to amend the Income-tax Act as early as possible so as to give

effect to the following demands of the Indian mercantile community immediately :—

(*a*) **To abolish the surcharge now levied on Income-tax and Super-tax.**

(*b*) **To raise the minimum taxable limit from Rs. 1,000 to Rs. 2,000.**

(*c*) **To amend the Income-tax Act so as to allow carrying forward of losses sustained in any one year against profits of subsequent three years.**

(*d*) **To provide that appeals from Income-tax Officers both on points of law as well as on fact should lie to any independent tribunal.**

(*e*) **To bring the Indian Income-tax Act relating to Life Assurance Companies on par with the clauses existing in England.**

Gentlemen, as you will have noticed this Resolution does not treat of the grievances of the Indian mercantile community against the Income-Tax law exhaustively but it only embodies such of these as require urgent redress to remove those iniquities which the Indian mercantile community is labouring under as regards the income-tax law. Firstly, we ask that the surcharge now levied on income-tax and super tax should be abolished. As you are all aware, this surcharge was levied as a temporary measure. Perhaps the Government of India have read our Vedantic doctrines rather too deeply. Vedanta teaches us that there is nothing permanent in this world and what we all know to be permanent in this world is only temporary, so that it is perhaps in the same sense that the Government of India when imposing the tax say that it is to be temporary it must be taken in the Vedantic sense and ordinary individuals must treat it as permanent and it is only for the sake of passing it in the Assembly that it is to be called temporary by the Government of India. The Government of India have found it fit, as you all know, to restore half the cut in the salaries of the superior services but they have done nothing to remove this surcharge under which both the European and Indian sections of the trading community are groaning under. If the Government want to adopt a socialistic policy, let them adopt it honestly and frankly and say that they want to tax;

to the utmost extent those who make money in the country but if they do not want to adopt this socialistic policy in that frank manner, let them not introduce it in this underhand way. Then the next item that we want is to raise the minimum taxable limit from Rs. 1000 to Rs. 2000. Personally I have never been able to understand how the Government could have the heart to reduce the taxable limit from Rs. 2000 to Rs. 1000. (One Member : They have no heart). Yes, That is quite true. How can a man drawing only about Rs. 80 per month maintain himself and his family and I think to tax such a man is surely heartless treatment and I hope the Government of India will give early relief in regard to this matter. Then the next item that we want to raise is to amend the Income Tax Act so as to allow carrying forward of losses sustained in any one year against profits of subsequent three years. About two years ago Sir George Schuster in this very hall admitted the justice of this claim of ours. He said that at the earliest possible moment he would see that the losses are allowed to be carried forward. It is unnecessary for me to detain you further by giving you illustrations in rupees, annas and pies, as to how in the absence of losses being carried forward, the trading community is put to hardship. People who make losses in one year do not pay income tax but when they do make profits they have got to pay in spite of the fact that it is quite possible that even for a period of three years the assessee has not on the whole made any profits whatsoever. Even in England losses are allowed to be carried forward because the income tax there is calculated on the average profit of three years and there is no reason why the same principle should not be applied to assessees in this country. Then the last but one demand of ours is that appeals should be allowed from the decisions of income tax officers both on points of law and on points of fact to any independent tribunal. The zabardasti of the Income Tax Department has become so great nowadays that even people who have incurred losses and are about to become bankrupt are charged with heavy taxes. Points of law are always twisted into points of fact. I will give you one case which will illustrate to you to what extent this zabardasti goes on. In a limited company there was a managing director—not a managing agent—who was paid a monthly salary. There is a section in the Income-tax Act in which it is stated that if a bonus or commission is allowed to a managing director or other manager and if the income-tax officer thinks that that is not in proportion to the profits made by the

company, then the income-tax officer may not allow the whole of that bonus or commission that is given to the managing director or other officer and in spite of the fact that the resolution of the company expressly stated that the remuneration was to be given as salary, the income-tax officer held that it was not salary but a bonus or allowance and that the income-tax could be charged at the highest rate, namely 32.1/2 pies per rupee. Unless we provide that appeals should lie from the decisions of income-tax officers to an independent tribunal, it is impossible to check the highhandedness of a large number of income-tax officers, who only get one direction from the Government, namely, that they should realize as high an amount of tax as possible, and I am reliably informed that if any income-tax officer is not able to realize the amounts that he is asked to realize his promotion is stopped and his own life is greatly spoilt. In these circumstances, it is necessary that an appeal should lie to an independent tribunal. This matter was discussed in the Indian Legislative Assembly some time ago at great length and as a result of those discussions I had thought that some steps would be taken by the Government to remove this difficulty but this has not yet been done. As regards the last clause of the Indian Income-tax Act relating to life assurance companies, that should be brought on a par with the clauses existing in England. I would now leave it to the supporter to explain the point to you in a better manner than I possibly can do. (Applause).

Mr. Kasturbhai Lalbhai (Ahmedabad Mill-Owners Association) :

Sir, I desire to support the resolution moved by my friend Mr. Khaitan. The question of surcharges on income-tax and super-tax has been pending before the commercial and industrial world for a long time. Time and again it has been brought to the notice of Government that this is not the way of making good their revenue. Sir, in trying to levy higher and higher taxes, their receipts have year after year actually gone down. It is very apparant to everyone of us that though the taxes have been raised from something like four pies in the rupee originally to nearly 32.1/2 pies in the rupee, that is, eight times as much, the revenue of the Government from this source has in the last ten or fifteen years never gone up beyond 17 crores or 18 crores ; that is, in spite of Government trying to pump out every rupee that is being made by a commercial or indus-

trial house, they have not been able to raise their revenue ; on the other hand, the incomes of the commercial and industrial concerns have fallen to such a large extent that Government have had to raise up their income-tax and super-tax to the tune of nearly eight times. Sir, I submit that it is high time that some relief was afforded to the commercial world in this regard. If we look to the instances of Western countries which have been saddled with high taxation, even there we find that some relief has been afforded. In the case of Great Britain, I believe it was the last year or the year before when a remission was granted in the matter of inco me-tax or super-tax. I submit that our Government should consider this point more sympathetically and afford the greatly-needed relief to the commercial classes because of the great depression that is already prevalent in this country. I dealt with clause (*d*) of the resolution in my speech last year on the same resolution and I do not propose to repeat my arguments again with regard to the allowances granted. Sir, what could be more unjust than to tax incomes when the profits are made but not to allow credit for losses that are being made ? Of course, if we are making profits in some years, they should be subjected to the tax but there are lean years in which losses are made and unless the Government were to allow a set-off for such losses, it would operate very hardly on the commercial public,—a body which is always helping the Government to the best of its ability. Sir, about seven or eight years ago before the Income-tax Act was amended, these losses were allowed in the ordinary course of things. This is not a new thing that we are asking the Government to do. I believe our demand is a very just one and if the Assembly Members were to press for it, I do believe that at least in sheer justice the Government might agree to come forward to grant that little measure of relief. With regard to the last clause, Sir, "to provide that appeals from income-tax officers both on points of law as well as on fact should lie to any independent tribunal", I do not know what has happened to this proposal of ours. As a matter of fact at one time it was suggested that Government were seriously considering the question of constituting such tribunals all over the country because of the oppression with which the Income-tax Act is being worked. If instances were to be cited, they would be so numerous that I do not suppose that even a petty officer of Government would have the time to look through them. I will cite one or two instances in which a grave injustice has been done to the people, and the

income-tax or super-tax that is being collected is being so collected merely with an eye to collecting funds and not with an eye to administering the Act which is in force. Last year or the year before there was an amendment made in the Income-tax Act to the effect that the deposits of the people who were in the Indian States should be taxed if those monies have been invested in British India. Suppose a firm has got an office in British India. If the Income-tax authorities should collect the tax from the British office of that Indian State firm, then well and good. But even if this Indian State firm is wound up for one reason or another, and even though its deposits might have been withdrawn, the firm, either shroffs, insurance company or others, with whom the funds were invested, is being compelled to pay the Income-tax. How is it fair that when that firm which had taken deposits from people in the Indian States should be penalised without any notice, without any knowledge and without any intimation. Another instance I shall cite and it is this. Suppose I am paying an allowance of Rs. 1000 to my spinner or weaver. Over and above that, I may be allowing him a motor-car allowance. As a matter of fact they are entitled to have allowances such as a motor-car allowance and it should be free from income-tax. They go on treating it as an allowance up to a number of years. Then probably the income-tax officer is changed, and he takes it into his head that such an allowance, if it is to be excluded from the income-tax, must be applied for by that officer, and as far as that company is concerned it should be called upon to make good whatever income-tax should have been necessarily paid by them on the amount. I submit that such instances could be cited without number and it is most imperative that an independent tribunal, as has been suggested in this resolution, should be appointed by the Government forthwith without the least delay, because there is not one centre in India where there has not been a complaint against the administration of the Income-tax Act ; and if the Government wants to have a sympathetic commerical public with them, they can only have it by amending the Income-tax Act which is so very essential and so very necessary. I submit that the resolution should be accepted. (Loud Applause).

Mr. P. S. Sodhbans (Indian Chamber of Commerce, Lahore) :

Mr. President and gentlemen, I rise to support the resolution which has been moved by my friend Mr. Khaitan and seconded by my

friend Mr. Kasturbhai Lalbhai. Of course a tax is such a thing that it is not liked by the people as a whole but still we have to pay grudgingly or ungrudgingly in the present order of the civilized governments. This Income-tax Act was brought in originally as a temporary measure but somehow or other it has now become a permanent feature and apart from that we have many other restrictions and troubles which Mr. Kasturbhai and Mr. Khaitan have already explained. With regard to the minimum scale, in England and in other countries there is some relief granted. Suppose a gentleman is married ; then he gets some relief ; if he has got children, then he gets a further relief, but here in India no relief of any kind is provided in the Income-tax Law. It is queer position in India, and we do not know how to tackle it unless we unitedly place our case as strongly as we can before the Government. With regard to the carrying forward of losses, Mr. Khaitan has already explained that in this very Hall Sir George Schuster in replying to my speech admitted that this is a great injustice which is being done and that he would look into it very soon. At that time he was not prepared fully to concede the point on account of the revenue difficulties and because he wanted money badly ; here it is not a question of money, but here is a question whether the tax is equitable or not ? That is the real point at issue. After all, the Government want money to meet their expenses, but we have to see whether in the present state of affairs the Government are also decreasing their expenses or not ? Unless Government come forward as a business concern to decrease their expenses, they have no right to impose taxes in the way they are doing now. Regarding appeals, I would only refer to a Bill of Sir Hari Singh Gour. It was in June 1933 that Khan Bahadur Vachha, Member of the Central Board of Revenue, circulated Sir Hari Singh Gour's Bill for the opinion of the different commercial bodies. Apart from that, when the Government was cornered by 58 members of the Assembly, they proposed a tribunal of appeal and that tribunal of appeal was to be considered as a final tribunal and in the scheme a provision was made to take away the right of making reference to the High Court. That tribunal as proposed by the Government in the scheme would not cure the ills of the assessees because the real trouble starts from the first appeal. The assistant commissioners are the appellate authorities as well as the assessing officers and they supervise the work of the income-tax officers. As supervising officers of the income tax department naturally they have a bias towards their

own department. Moreover it is within the knowledge of all that a quota is fixed by the Commissioners according to each district and these income-tax officers whether willingly or unwillingly have to provide their quota and if they do not do so, it is alleged black marks are awarded to them and their promotion is barred.

Another point is the question of assessment of joint stock companies. In the present state of affairs, the joint stock enterprise cannot be properly developed and the industries cannot be benefited. Take the case of carrying forward the losses by a company. Supposing a company suffers a loss of Rs. 10,000 in one year and next year it makes a profit of Rs. 2,000. The income-tax officer will assess the company on an income of Rs. 2,000 but he does not take into account the debit balance of Rs. 8,000. This is a queer proposition unheard of in any country except India. As regards the assessment on insurance companies is concerned, I leave that question to be discussed by my friend Mr. Desai who is in direct touch with that subject.

Mr. K. C. Desai (Indian Life Assurance Offices Association, Bombay):

I am extremely grateful to the Executive Committee of the Federation for allowing me to voice the grievances of Life Insurance companies in respect of the rules relating to the Income-tax existing in India. I believe this is the first time that this grievance is being recognised by this venerable body. As you are aware, Life Insurance companies in India are assessed on the surpluses that they disclosed after proper valuation. These surpluses however are not obtained from any outside trading so far as the policyholders are concerned. They are the surpluses from premia collected from the policyholders and not found necessary for the purpose for which they were collected. Life Insurance companies when they find that they do no require all those monies for the risks that they carry, they return a portion to the policyholders in the form of bonuses. The present system of the Government of India is to charge income-tax even on the bonuses that are returned to the policyholders though they are the actual property of the policyholders lying with the company and returned to them when no longer required for the risks for which it was collected. In fact, I can give you an example. Take an ordinary limited company. They invite Share capital and deposits

are taken by way of the application money and sometimes shares are not allotted to the applicants. In such cases they return the deposit money to the applicants. If income-tax were to be charged on that portion of the deposit so returned how would you feel? It is just like that in respect of bonuses distributed to the Policyholders. Really speaking the policyholders' money is handed over to the company to meet certain unforeseen difficulties like greater death rate due to unforeseen epidemics, etc. You know in India particularly we have to act on the tables of mortality supplied from the West, as India is not yet old enough in 'Life Insurance' to have her own tables of mortality. To be on the safe side we have to charge more premium here for tropical climate than in the West feeling that our death ratio may be greater. But if after proper valuation is made we find that it is not so bad as we thought and that it is inequitable to keep with us the policyholders' extra money, we want to return the same to them. We then declare certain bonuses in order to return their own premia to the policyholders. It is not fair to the policyholders that a tax should be levied on bonuses so declared. The participating policyholders are, in fact, just like members of a Co-operative Society. Bonuses that they receive are merely a portion of their own contributions. They should be exempt from the income-tax just like the members of a co-operative society. In England to-day the law says that the bonuses that are distributed among or are vested in the policyholders, shall be exempt from assessment of income-tax. We claim that the same equitable treatment should be given to India also, especially when we know that Life Insurance is very young in India and insurance per capita is very small. We want to make Life Insurance more popular in India. This is one of the ways by which the policy-holders can be granted some relief and insurance may be made a little cheaper. I hope that businessmen will take more interest in this matter and will try to afford some relief to Life Insurance companies. I have great pleasure in supporting the entire resolution with special stress on the last clause relating to Life Insurance companies.

Mr. Kasturbhai Lalbhai: Will you kindly supply information that may be in your possession as to what is the policy being followed in foreign countries? We may be able to take proper steps in approaching the Government.

Mr. Desai: I will send the Federation office all the information that has been gathered in this connection by the 'Indian Life

Offices Association'. I may here add that the clauses relating to the assessment of income tax existing in England have been copied by the authorities in South Africa and Ceylon also.

Mr. M. A. Parikh (Bombay Shroff Association) :

I have great pleasure in supporting this resolution.

In this resolution, we express our dissatisfaction not only with regard to certain unjust provisions of Income-tax Law but also with regard to the mode of its administration. Next to the Police department, the Income-tax department has come in for great odium for its harsh and unsympathetic attitude towards the assessee. The department is run without regard to the convenience of the assessee and also without consideration of his just claims. Its sole aim is centred round in squeezing as much as possible out of the assessee. The assessee has to bear up with numerous hardships both at the time of assessment and also in appeal in case of dispute. The examiners are generally undergraduates un-acquainted with the principles of accountancy and also with the book-keeping system of the merchants and customs of their trades. They do not fully appreciate the facts adduced by the assessee and fix up any assessment they like by bullying him and even by overruling his just objections. The assessee being generally ignorant of the intricacies of the Income-tax Law has to submit to any assessment fixed by them. But, even when the assessment is found exorbitant and unjust, the assessee prefers to submit instead of going in appeal owing to the inordinate delay and numerous hardships involved in the procedure of appeal. Besides the hardships, the procedure of appeal is very objectionable as the appeal lies before the superior officers of the same department. It is only in the final appeal that the assessee gets the right to place his case before an independent tribunal (*i.e.* High Court) unconnected with the Income-tax department. But here also the right of the assessee is circumscribed as appeals based on facts are debarred from the jurisdiction of the High Court. Thus the whole system of assessment from bottom to top is very harsh and oppressive. It is therefore very necessary in the interests of the assessee that some sort of popular control should be introduced in assessment. Even the Government have accepted the necessity of reforming the present procedure of appeal and expressed themselves in favour of setting up another independent tribunal in place of the High Court, to hear final appeals both on cases of

facts as well as of law. When the Government have realised the justice of allowing cases of facts to be heard in final appeal, it is essential that Government should concede this right to the assessees instead of allowing the injustice to continue in this regard, as there is no knowing when the scheme about independent tribunals for final appeals will fructify.

I shall now briefly deal with the specific demands of the commercial community which are set forth in this resolution for amending the Income-tax Law. The first of these relates to the abolition of the surcharge now levied on Income-tax and Super-tax. The surcharge means a supercharge and ordinarily it conveys the meaning of being a small charge to meet an emergent situation. But as a matter of fact, this levy imposes an additional burden to the extent of 25% over the enhanced Income-tax and Super-tax rates of 1931. The surcharge was first imposed in 1931 as a temporary measure to meet an extraordinary budgetary situation and was to lapse by 1933. But since then, it is being given a fresh lease of life annually on the plea that the situation still continues to be abnormal. At that rate, it is feared that the surcharge may come to form a permanent burden like their twin parents—Income-tax and Super-tax. Nobody can contend the right of Government for direct taxation but the incidence of taxation must be equitable and bear some relation to the taxable capacity of the people. In the present case, not only Income-tax and Super-tax rates have been enhanced but a surcharge of 25% over them is superadded, even though the trade depression is the most acute ever known and the taxable capacity of the people is strained to the breaking point. But the pity of it is that Government still persist in continuing the surcharge even though they find that the revenue from the Income-tax is falling. Comparative figures of income-tax revenue for the years 1932-33 and 1933-34 speak for themselves. The income-tax revenue for the year 1932-33 amounts to 17.70 crores while the same for the year 1933-34 comes to Rs. 17.13 crores. This shows that the revenue has gone down by 57 lacs in one year. This heavy decline this year to the extent of Rs. 57 lacs is indicative of the deteriorating economic condition of the country. It is therefore highly essential that Government should not continue to shut their eyes to facts and give some relief in these times of acute economic distress to the trade, commerce and industries of the country by at least abolishing the surcharge now levied upon them.

I shall now come to our next demand for raising the exemption limit from Rs. 1000/- to Rs. 2000/-. You are all aware that an annual income of Rs. 1000/- is being taxed since 1931 and that further it is taxed not ordinarily but summarily. It is true that the rate of income-tax which was 4 pies per rupee for an assessible income below Rs. 2000 has been reduced to two per rupee from this year for an assessible income up to Rs. 1500. Inspite of this, I mention that this levy means a heavy burden on the lower middle classes who can hardly make two ends meet. It is bound to affect the standard of living of these classes which is already very low. Living has not become so cheap for them as is sought to be proved by Government. Prices of commodities have no doubt cheapened but not so much the rents, educational charges and doctors bills which make such a heavy inroad on their slender resources. Is it therefore desirable or equitable that these classes which live from hand to mouth, and which have to incur debts for unforseen contingencies should be taxed in any way? I therefore submit that Government should at once raise the minimum taxable limit from Rs. 1000/- to Rs. 2000/- as before.

I shall lastly deal with the third demand which is the most important demand of the resolution. In this demand, we ask Government to allow a set off for losses sustained in any one year against profits of subsequent three years. This demand is quite watered down as in equity the right to carry forward losses till they are wiped out cannot be withheld. The right of a set off for losses in Great Britain is fixed for six years. Our demand therefore for such a right for three years is quite moderate and reasonable. But in absence of any such provision, income-tax at present is a levy on capital and not on income as it should be. A merchant who earns a profit of a lac of rupees one year and loses an equal amount next year finds himself run into debt to the extent of the amount of income-tax paid. Many commercial and industrial concerns find their capital outlay thus reduced gradually and imperceptibly and find hard to maintain themselves in these times of trade depression under this blighting levy. It is therefore urgently necessary that Government should afford this much needed relief promptly to the commercial community at this juncture.

President: The resolution has been duly proposed and seconded and supported.

The Resolution was unanimously adopted by the House.

Mr. Ratilal M. Gandhi (Grain Merchants Association Bombay): I beg to move the following Resolution No. 17 on the agenda.

CLASSIFICATION OF GROUND-NUTS.

The Federation deeply regrets to find that even though there is no justification, the Railway Conference Association still maintains an unsatisfactory and unsympathetic attitude with regard to the treatment of ground-nuts in a manner different from other oil-seeds inspite of several representations from interested trade-bodies, making out a strong case for doing away with the separate classification of the said commodity. The Federation therefore draws pointed attention of the Government of India to this question and requests them to move the Railway Conference Association to do away with the existing treatment and classify ground-nuts in its proper place with other oilseeds in the category of Grain and Seeds Common.

At the outset I may mention that the commodity which forms the subject matter of the resolution under consideration is Groundnut Kernels or Seeds decorticated as distinct from Groundnuts-in-shell undecorticated. It is necessary to bear in mind this point in referring to this subject in order to remove the confusion that may be created by mixing up these two varieties.

NATURE OF THE SUBJECT.

In dealing with the subject, I should, in the first place, briefly explain the nature of our grievance in regard to the classification of Groundnutseeds for the purpose of Railway Freight.

All articles of oilseeds except groundnut seeds are classified as 'Seeds Common' and charged at 1st class for actual weight at Railway Risk (Vide P. 585 of the General Classification of Goods) and still lower rates are quoted for full Wagon loads by some Railways whereas Groundnutseeds are classified separately being quoted at 4th class on actual weight R. R., 3rd class on Wagon load R.R. and 2nd class at O. R. (Vide P. 378 of General Classification of Goods).

AN INVIDIOUS DISTINCTION AND AN ANOMALY.

One is really at a loss to understand this invidious distinction. I beg to submit that this higher classification for Groundnutseeds is both anomalous and iniquitous, wrong and unjust. I am deliberately presenting my case before this House with this rather bold statement because, I think I can prove its veracity very easily. Groundnutseeds are an edible article and do not differ in any way from other articles of oilseeds such as Linseed, Rapeseed, Gingellyseed, Castorseed, Cottonseeds, Kardiseed etc. I do not for a moment believe that this fact can be disputed by anybody. Inspite of this, it is curious that this commodity is treated in a different manner and classified separately. It may be useful to point out here that on English Railways Groundnuts for pressing into oils are chargeable at the same class at which Grains and Seeds are chargeable. Even from the point of view of the carriers *i.e.*, the Railways, considerations as to the value of this commodity, the space it requires for carriage and the precautions necessary in handling the commodity, Railways cannot make out a reasonable case for treating this article in a different manner from other oilseeds mentioned above. And yet it is strange to find that the Railways have continued to treat and charge this particular article differently from other Grains and Seeds without any justification whatsoever.

INDIFFERENCE OF THE RAILWAY AUTHORITIES.

It is strange but true that although the case for Goundnutseeds as presented here is simple, the Railway authorities have turned a deaf ear so far to the repeated demands made by the various Commercial Associations. The Railway authorities refused pointblank to right this wrong and to grant the long overdue relief in this respect.

On various occasions, the Grain Merchants' Association, the Indian Merchants' Chamber, the Seeds Traders' Association all of Bombay and other Commercial Associations from different parts of the country approached the Railway authorities with their complaint in regard to this question but to no purpose.

This matter has its short history with the narration of whose details I do not desire to trouble you. Suffice it to say that when at long last the matter could be brought to the proper authorities the stereotyped one line reply received was that the movement in trans-

port of this commodity was satisfactory and that there was no reason for revision or reconsideration of the matter. You will agree with me when I characterise this attitude on the part of the Railway authorities as wholly unsatisfactory and unsympathetic. It is high time, therefore, that an All-India body like the Federation of Indian Chambers of Commerce & Industry should take up this matter and draw the pointed attention of the Government of India in the Railway Department to this question with a request to move the Railway Conference Association in the matter.

RECENT INCREASE IN TRADE.

It will not be out of place, in my opinion, if I refer here to the considerable importance that Indian Groundnuts have acquired during the last decade both in our internal as well as foreign trade. The production of Groundnuts-in-shell has increased from about 10/12 lacs of tons to 30/35 lacs of tons which represents about one half of the total production of oilseeds in this country. On account of the great development that has taken place in the oil and other allied industries abroad and which are just beginning to take place in India, enormous increases have been registered in our internal as well as foreign trade in Groundnutseeds. Out of the total exports of oilseeds of about 12/14 lacs of tons, more than half of the quantity is represented by Groundnutseeds only.

FALL IN PRICES AND THE INCIDENCE OF RAILWAY FREIGHT.

It is an irony of fate that of the prices of all the agricultural produce the price of Groundnutseeds has perhaps registered the most catastrophic fall. It has fallen from Rs. 50/60 per candy (of 20 Bombay maunds) or Rs. 8/Rs. 11 per Cwt. ruling between the years 1929/1933 to Rs. 20/- per candy or Rs. 4/- per Cwt. to-day. In foreign markets the price has gone down from £ 17/18 to £ 8/- and below per ton. I do not need to emphasise what such an enormous fall in the price of his produce means to the poor Indian agriculturist.

On the top of all this comes the heavy incidence of Railway Freight on Groundnutseeds which works out about 30, and in some cases, even to 40 and 50 p.c. of the value of the seeds in the centres of production. It is no wonder, then, if the agriculturists are

simply crushed under the weight of this heavy incidence. They are reduced to such a pitiable condition that the price fetched by their produce is not enough to cover even their cost of cultivation, labour and picking charges etc., etc. Merchants interested in this trade are more or less in a similarly difficult position. Their profits, if any, in these days of acute depression, have dwindled to a vanishing point.

Apart from the wrong classification, the basic railway freight charges are themselves unbearable. This larger problem which affects all the raw products is, however, not touched by me here. You are aware, Gentlemen, that we have been passing every year a resolution in this House for bringing about a reduction in the Railway Freights. The particular question that I am dealing with now is only that very complaint in its very acute form.

I have tried to show, Gentlemen, in as short a compass as possible how the Railway Classification of Groundnutseeds is unjust and iniquitious in principle ; how it has hit hard the Indian Agriculturists cultivating Groundnutseeds ; and lastly how it has proved a source of great burden on the Seeds Traders all over India.

I presume that the anomaly might have crept in because Groundnuts-in-shell occupy greater space and consequently do not fetch full freight according to the carrying capacity of the wagon. Under these circumstances whatever may be the justification for a separate classification of Groundnuts-in-shell, there is by no stretch of imagination, any justification whatsoever for treating Groundnuts without shells in a different manner from other oilseeds.

OCEAN FREIGHTS : A COMPARISON.

There is one more interesting point to which I should like to draw the attention of this House. It is that the scale tonnage apportioned for the purpose of Ocean Freights for Groundnutseeds does not differ much from other kinds of Oilseeds. The scale tonnage for Groundnutseeds is 14 Cwts., for shipping tons, for Linseed 16 Cwts., for Rapeseed 15 Cwts., for Gingellyseed 14 Cwts, for Castorseed 12 Cwts. and for Cottonseeds 13 Cwts.

CONCLUSION.

The facts cited above will convince you, Gentlemen, that our demand is just and right, straightforward and simple. If cultivators

of Groundnutseeds and merchants dealing in this acrticle are to be given some relief, the first thing to be done is to obtain this long overdue relief from the Railway Authorities by inducing them to classify Groundnutseeds, if not Groundnut-in-shell, in their proper class of 'SEEDS COMMON' and to charge the same at 1st class rate R.R. on actual weight and at lower schedule rates in case of wagon load. I sincerely trust that the Railway Authorities will even now realize the force of our case put forward here for reconsidering the question of freights on Groundnutseeds and be pleased to take immediate action in that direction. If this just relief asked for is not granted forthwith, the traffic in this class of oilseeds is likely to be curtailed to the disadvantage of the Railways as well as the agriculturists and the Seeds Traders. As pointed out previously the present prices of the commodity are so low being below the cost of production and at several places even below the cost of picking the Groundnut pods that it is apprehended that a part of the crop will go out of cultivation. As a matter of fact, a part of the crop has already been reported to have been abandoned in the fields as it was not worth the labour of picking it.

I have no doubt that the House must have recognised the full force of our just demand and will be pleased to pass the Resolution unanimously.

Mr. Vidya Sagar Pandya (S. I. Chamber of Commerce, Madras): Mr. President and gentlemen, as the last speaker has said, we have got a more substantial feast waiting for us under the hospitality of Lala Sri Ramji and so I also do not wish to detain you here unnecessarily. I shall not touch upon the points which have been so ably dealt with by the previous learned speaker, but in order to impress upon you the necessity of passing this Resolution I must say what is the importance of the ground-nut trade to the country. The groundnut produce from Madras in the year 1928-29 was to the value of 34.6 crores of rupees; from Bombay it was 16.4 crores of rupees and from Burma 1.9 crores of rupees. And it forms 20 per cent. of the agricultural produce of India. Now that was the condition in 1928-29 and now what is the position we find at present? The fall in 1932-33 is as follows: The Madras produce has come down to 20.17 crores as against 34.6 crores; Bombay, 7.9 crores as compared with 16.4 crores, and Burma is 1.3 crores as against 1.9

previously. Similarly when we look to the figures of exports we find that in 1928-29 the total amount of ground-nuts exported from India was 7.9 lakhs tons and in 1932 it came down to 4.3 lakhs tons. Our overseas markets have been reduced and the reason is not far to seek. I shall explain some of the reasons briefly. One of them is that there is a hostile tariff in France and Germany and they do not like the import of our ground-nuts into their countries. Then we have competition in the form of other substitutes such as fish oil, palm oil, Soyabean oil, olive oil and other oils. As such the demand for ground-nuts has decreased. Then the fall in prices in ground-nuts has come down to 60 per cent in four years. As has been already explained, the prices have gone down and figures have been quoted by the previous speaker and I will not therefore deal with the prices. He has also already explained, it is a perishable article and somehow or other we must part with our stocks, and we cannot hold groundnuts indefinitely for better times. The railways are very fond of quoting traffic figures to show that the ground-nut trade is moving all right. You should not be misled by those figures. The traffic cannot bear the present freight. Once the crop is raised it must be moved and marketed being a perishable commodity. It must be sold at any price. With high freight and low prices there is no profit to the cultivators. When the price has gone down from Rs. 45 to Rs. 15 hardly anything is left for the cultivator after paying charges to the railways etc. The result will be that if this deterioration in the trade continues, the ground-nut traffic will disappear and the railway will practically lose its income from this very important commodity. It is very necessary that the railways should in their own interests see that they give special rates and encourage the ground nut trade in the country.

There is another reason why the railways should reduce the rates. You know that wagons bringing grains to South India from Northern India have to return empty ; and if the railways give special rates they will be in a position to get these wagons employed and instead of losing income by running empty wagons, they will get very good income and it is in the interest of the railway authorities themselves that they should encourage this trade. I may tell you that recently the South Indian Railway has given special facilities for movement of rice, with the result that the railway is earning much better income ; and if they try a similar experiment in the matter

of groundnuts they are sure to benefit. In the long run it will not only benefit the railways, but it will also be a great advantage to the trade and the country. I shall not take up any more of your time, but will ask to pass this resolution unanimously.

The resolution was put to vote and adopted unanimously.

The Session then adjourned for lunch till 2-30 p.m.

AFTERNOON PROCEEDINGS.

SUNDAY, 1ST APRIL, 1934.

The Annual Session re-assembled after Lunch at 2-30 p.m. with the President, Mr. N. R. Sarker in the Chair.

President: Before beginning our proceedings, I should like to read a letter which has been addressed by the Association for the Development of Swadeshi Industries. This letter has been addressed to me to be read out to the Federation:

> "My Association is holding an All-India Exhibition outside Ajmiri Gate between Old and New Delhi. My Committee has directed me to request you, through you, to pay a visit after two days' sitting of the Federation in the evening between 6 and 7 p.m. to the Exhibition. I am sending a few passes to the Secretary for the use of the Members of the Federation, and I hope they will be good enough to pay a visit to the Exhibition".

Now, I call upon Mr. Birla to move the Resolution on Economic distress and revival.

Mr. Srikrishen Das H. Lulla: Before we proceed further, may I request you, Sir, to kindly convey to the Secretary of the All-India Exhibition Committee our thanks for the kind invitation he has extended to us to visit the Exhibition.

ECONOMIC DISTRESS AND REVIVAL

"The Federation regrets to note that in spite of nearly four years of economic depression the Government of India have not yet undertaken any measures calculated to help economic recuperation and to relieve the widespread economic distress among the people, particularly among the masses, and strongly urges the Government to direct their immediate attention to this matter and to concert necessary measures in consultation with representatives of commercial interests.

The Federation is further convinced that any measure for economic recovery to be really and effectively successful must be based on a definite plan and have as its object the raising of commodity prices, particularly of primary products, and for that purpose the Federation would strongly urge upon the Government the adoption of a bold reflationary policy by undertaking a scheme of public works expenditure specially in rural areas and by actively assisting, and affording all possible support to, a comprehensive scheme calculated to increase all round

productivity of the country instead of merely waiting for improvement in the world economic situation.

The Federation is further of opinion that the Government of India should proceed on a systematic and scientific investigation of all the material resources of the country with a view to chalk out a plan for the achievement of the goal outlined in the preceding paragraph."

Mr. G. D. Birla (Indian Chamber of Commerce, Calcutta): Mr. President and Gentlemen, I beg to move the Resolution No. 9 which is printed on the agenda. I need not read the Resolution, as it is already there. It may look funny to some Members as to why this resolution should be moved on economic distress specially after the sumptuous meal given to us by our friend Lala Sriram. But, Sir, there was one phenomenon in the Swiss Hotel which conclusively proved that India was suffering from economic distress, and that was this. There were 9 courses provided by my friend Lala Sriram, and all the Members did full justice to them (Hear, Hear), whether the members were lean or fat, stout or weak, all of them swallowed courses after courses.

A Member: Not all.

Mr. G. D. Birla: Yes, except myself and Sir Purshotamdas Thakurdas, and that is the reason why we have qualified ourselves to move and second the Resolution ourselves.

Now, Sir, talking more seriously, I have no desire to take the different aspects of this Resolution. It is self-explanatory, and probably my friend Sir Purshotamdas Thakurdas and others who will follow me will take up the separate aspects of the question. So far as I am concerned, I propose to take up the general aspects of the situation. I propose to put before you first of all something about the present situation with regard to economic planning, and then I shall try to give a rough idea on what basis the planning for India may be made.

Somehow or other, an impression is gaining ground that we have seen the worst of the depression and that the situation is improving all round. Sir George Schuster in his recent budget speech tried to convince his audience that the economic condition of India was improving. But those who are in touch with business as well

as the Indian masses, I fear, are not likely to agree with him. It is possible that we have seen the worst, simply because the worst could not be worse. Besides, as the conditions in America and England are improving, this may have some psychological effect on the Indian mind too, making people more optimistic. But mere words cannot induce prosperity, nor can cheerful news from abroad by itself be any cure for our ills. Some steps to combat the hydra-headed monster gripping our entire economic life have to be taken before we can breathe freely again. Let us review the position to gain some idea about the realities confronting us at present.

THE INDUSTRIAL POSITION

First of all we shall examine the industrial position both in respect of production and of financial results. The depression is supposed to have begun in September, 1929. We shall, therefore, take the figures of industrial production for 1929-30 and compare them with those for 1932-33 :—

	(000 omitted)	
	1929-30	**1932-33**
Cotton twist & yarn	833,560 lbs.	1,016,418 lbs.
Cotton piece goods	562,236 ,,	737,185 ,,
Mill consumption of raw Jute	6,400 Bales	4,400 Bales
Paper	41 Tons	41 Tons.
Coal	22,700 Tons (1929)	18,700 Tons (1932)
Manganese	750 ,,	88 ,,
Salt	148 ,,	150 ,,
Iron Ore	1,433 ,,	673 ,,
Pig Iron	1,376 ,,	880 ,,
Silver	7,300 Ounces	6,000 Ounces
Tea	432,800 lbs.	433,400 lbs.
Sugar (raw)	2,704 Tons	4,651 Tons,

It will be seen that our production except in the case of cotton and sugar is in most cases substantially reduced. Could it therefore be said that we have turned the corner ?

OPTIMISM NOT JUSTIFIED.

Looking however to the financial side of the thing, it could be said that excepting cotton, coal and certain minerals almost all other

industries are doing fairly well and this may be responsible for the feeling of optimism. But I may correct the impression, if there be one, that in the worst days of 1931 all these industries were losing. Barring tea and coal and certain other minerals, no industry incurred actual losses even in the worst days of 1931. The margin in the case of the jute industry has since then slightly increased due to its having consumed its old stock of raw jute which was held at higher prices and also due to the present abnormal low price of the raw material as well as restricted production. But even in the worst days of 1931, only about a dozen jute mills actually incurred losses. Tea and coal were losing in 1931. Of the two, tea has undoubtedly improved on account of the quota system while coal is still in a bad way. The Tata Iron and Steel, even in 1931, made a profit of 99 lakhs. Paper was earning in 1931 as it is now. Cotton was much better off in 1930. The industrial position thus affords no proof of our having turned the corner. But even if it were otherwise, we could not judge of Indian conditions by the experience of the few industries.

All the industries combined employ no more than 35 lakhs of men, viz., just one per cent. of the total population and but for a few industries like cotton, sugar, salt and kerosene, they do not cater mainly for the Indian masses. Large industries again have got certain advantages which render adjustments easy enough for them even in bad times. First of all, in India most of the industries mentioned are either working under a protective system or enjoy a monopoly which eliminates, to a certain extent, competition from abroad. Secondly, many of the industries are only in their infancy and have not developed sufficiently to cause any seriously internal competition. Thirdly, in industries like tea and jute, we have made our position better by restricting supplies. But apart from such advantages or adjustments, large industries can effect various other economies, such as reduction of wages, better output, etc., which are generally summed up by the word rationalization, and the fact that they do not have to encounter competition from smaller industries also puts them in a comfortable position. Their prosperity, at any rate in India, cannot therefore reflect the true position of the country. If the Finance Member can balance his budget by imposing new taxes it could not be said that the budgets in cottages too are balanced. And likewise, if large industries which have exceptional advantages and can always make various adjustments easily enough, are in a position

to declare dividends, it could not be said that the country as a whole is flourishing. In making a correct estimate of the country's position, we should, therefore, rely more on the condition of trade, commerce and agriculture.

TRADE AND COMMERCE

Now so far as trade and commerce is concerned, I can say from personal experience, as one interested in commerce myself and belonging to a community which is engaged in trading in most parts of the Indian continent, that along with indigenous banking, it finds itself at present in the greatest difficulty. Goods worth crores of rupees are annually imported and exported through the hands of men of my community and I know that they barely recover their establishment charges. Traders all over the country are in the saddest plight. The money-lenders do not get back either the principal or the interest due to them—a fact which has been corroborated by the Finance Member himself.

AGRICULTURAL PRODUCTION

As regards agriculture, go to the Zamindar and ask him how and to what extent he is able to realize his land revenue and he will give you an illuminating reply. But without seeking such aid we may turn for a moment to the figures of agricultural production and then proceed with our analysis. The figures are :—

	1929-30		1932-33	
Rice	311	lakhs Tons	306	lakhs Tons.
Wheat	105	,, ,,	95	,, ,,
Cotton	52	,, Bales	55	,, Bales.
Jute	103	,, ,,	71	,, ,,
Groundnut	266	,, Tons	283	,, Tons
Raw Sugar	28	,, ,,	47	,, ,,

The production of raw sugar and groundnut has increased but that of rice, wheat and jute has decreased. It may be said that on the whole, agricultural production is more or less stationary. On the other hand, as a result of the fall in prices, the agriculturist's income has been very much reduced and charges represented by land revenue, interest, etc., being fixed, the margin of his profit has more

or less disappeared. And the worst of it is that there has been a heavier fall in the prices in which he is interested as producer than in those in which he is interested as consumer. The index numbers show that the fall has been in the ratio of 47 : 22. The agriculturist has thus suffered on three fronts. He has been hit, firstly, by the precipitous fall in the prices of the commodities which he sells ; secondly, by the rigidity of some of the items on the expenditure side of his budget, and thirdly, by the incident that the prices of commodities which he consumes, have not fallen to the same extent as the prices of the commodities which he produces. His plight, therefore, is most severe and it is naturally reflected in the figures relating to what he has been able to consume or to spend.

THE REAL POSITION

Confining our attention to figures which are really helpful in this connection, we can present the following rough sketch of the position :—

	1929-30	1932-33
Consumption of Mill-Made cloth	12.40 yards per head	11.94 yards per head
Consumption of Kerosene ..	232 million gls. (Avg. 10 yrs. ending 1930)	213 million gls. (1933)
Consumption of Salt	19,65,000 Tons (Avg. 10 yrs. ending 1930)	18,84,000 Tons (1933)
Precious Metals	35 crores (Imports 1928-29)	-65 crores. (Exports)
Inland Money Orders Issued	Rs. 93 crores	Rs. 75 crores.
Post-cards	586 millions	451 millions
Number of 3rd class passengers originating	61 crores.	48 crores.

The figures tell their own tale. But for the sale of gold, things would have been unimaginable. One wonders what economy the agriculturist could have possibly made had there been no gold to sell. But the problem is by no means solved. Gold supplies must come to an end some day and unless things show a substantial improvement before we reach that stage, a very serious situation would

undoubtedly arise. While in normal years India used to absorb precious metals worth Re. 1 per head of the population, in 1932-1933 she sold out Re. 1-13-0 worth of gold per head. This may give us some idea of the balance sheet of the masses. A gap of Rs. 3 per head could be seen in transactions relating to precious metals alone. Other economies in expenditure on travelling, kerosene, postcards and other items have been made. Does it mean that calculated in real wealth, the average income of the people is down by Rs. 4 per head as compared with 1929? Rs. 4 per head looks a paltry sum but it is a big thing for a poor country like India. I estimate that in terms of real wealth, our income in 1932-33 was down by nearly 150 crores as compared with 1929-30, to go no further back than that. If India is not going in rags and tatters, it is because she has chosen to live on her capital, not only doing without any importation of gold and silver but even parting with her accumulated stocks. But now if things do not improve, economies in the consumption of necessities of life become inevitable, and I ask, is there any scope for further economies? Our consumption at present is below the safe minimum. I wonder whether we are not now entering the danger zone.

We may cast a cursory glance here at our progress during the last two decades, judging progress by the figures of consumption in the pre-war period and in 1931-33 :—

Articles.	Available supply for consumption (Pre-war, 1911-1913 Average)	Available supply for consumption (1931-1933 Average)
Rice, wheat, barley, jowar, bajra, maize, gram, linseed, rapeseed, sesamum and groundnut	51 million tons (per capita 362.2/3 lbs. a yr.)	57 million tons (per capita 360 lbs. a yr.)
Sugar (adding imported sugar to the figure obtained by converting the total available supply of		

Articles.	Available supply for consumption (Pre-war, 1911-1913 Average)	Available supply for consumption (1931-1933 Average)
gur into sugar on a 50 p.c. basis)	.. 2 million tons (per capita 14.2/9 lbs. a yr.)	2.1/2 million tons (per capita 15.5/7 lbs. a yr.)
Total foodstuffs ..	.. 53 million tons (per capita 376.8/9 lbs. a yr.)	59.1/2 million tons (per capita 375.5/7 lbs. a yr.)
Salt	.. 1,805,000 tons (per capita 15.5/6 lbs. a yr.)	1,884,000 tons (per capita 12 lbs. a yr.)
Kerosene	.. 174 million gals. (per capita .55 gal. a yr.)	213 million gals. (per capita .6 gal. a yr.)
Consumption of mill-made cloth, Indian and imported	.. Per capita 12.35 yds.	Per capita 11.94 yds.
3rd class passengers ..	.. 41 crores	48 crores
Post-cards	.. 44 crores (per capita 1.4)	45 crores (per capita 1.3)
Treasure	.. Rs. 36 crores (per capita *import* Re. 1-2)	Rs. 65 crores (per capita *export* Re. 1-13)

The figures are self-explanatory. As could be seen, except in the case of Kerosene and third class passengers every other consumption has gone down. And this with the sale of gold! India cannot help looking with wistful eyes at those countries who have made great progress in the economic field while we have lost ground even in respect of the scanty consumption on which we have existed so far. What a distressing state of things! Consideration for the future, however, is more important than brooding over the past. The present position is that the consumption of the masses is abnormally low and it is showing signs of deterioration after the advent of the recent depression. The condition in other countries during the last two years has decidedly improved and if the world buys more and

our export trade and internal prices improve, we may as a result of that again reach the pre-depression level. But is this all that we want? Certainly not.

PLANNED ACTION NECESSARY.

The pre-depression level itself was not a thing with which one could rest content. No civilised nation has got such a poor standard of living as India had even during the most prosperous days. Our most urgent need, therefore, is to bring about a substantial rise in our standard of living. And here one naturally feels inclined to ask why with our vast resources including supplies of idle labour we cannot raise our standard of living to a reasonable level. The reply is simple. We cannot improve our lot until we decide to take mass action, well thought out, well planned, as part of a scheme of co-ordination launched with the necessary authority to make it a success. Governmental intervention thus becomes necessary. But Government by themselves cannot do or achieve much. The co-operation of the people is essential to the success of any such scheme. The Government being the ruling authority must take the initiative and invite the latter to join hands with them in the endeavour.

I do not charge the Government with utter inaction. During the last decade several things have undoubtedly been done by them. For instance, they have pursued the policy of protection, now vigorously, now half-heartedly, and thereby done some good to industries and to agriculture, as in the case of wheat. The Imperial Council of Agricultural Research has been doing a lot of useful work. Fruit farming is being encouraged though on a very small scale. There is some talk of affording protection to dairy products. It is intended to launch a 'Drink More Milk' campaign—an absurd imitation of the British propaganda which overlooks the difference between the two countries, for while in England there is more milk and fewer stomachs to drink it, in India there are more stomachs and less milk to be drunk. 'Produce more milk' and not 'drink more milk' should have been the appropriate slogan for this country. The Government again is encouraging, though passively, the restriction of the jute crop though it does not tell the agriculturist what substitute crop he should grow. Similarly, the Government has helped in fixing a quota for tea exports and is even now thinking of helping the restriction of tea, jute and coal production. It does not, of course, give

any thought to the question if it is not possible to usher in Recovery by a better way than destruction of crops, restriction of production and—control of births. A minimum price for sugar-cane is to be fixed. Trade pacts and fixation of zones for industries and a lot of such other things are up in the air. It is gratifying to note that the Government is getting more alive to the situation. The credit for giving a lead goes to Bengal and other provinces are now following suit. The Central Government too seems to have something in its mind and the European community too at long last has realised that something must be done to save the situation. It could not be said that the Government is not moving. It is undoubtedly moving but at a snail's pace and in spite of the assurance of the Finance Member to the country, without a plan. Tariffs, excise duties, fixation of zones and of minimum prices, restriction of production under rare circumstances, and Trade Pacts, all these could become part of a plan if there were one. But unless and until they form links in a chain with a purpose behind it, they are not going to take us anywhere.

The Government knows the evil of drifting without a Plan. But it would not think of taking planned action. Probably this apathy on the part of the Government is due to the fact that the head of every department in the Secretariat has a five year plan of ruling and then retiring. Much the same could be said of the Burra Sahib in Clive Street, that "imperium in imperio" which none can afford to ignore in this country. The visions are thus limited to five years throughout which the one object of the man in authority in New Delhi is to maintain law and order and balance budgets and of the Clive Street Burra Saheb to retire leaving things as he found them ; nothing altered, nothing disturbed. It seems to be nobody's business to visualize the problem as a whole and to plan its solution.

EVILS OF DRIFTING

The result is that whatever we achieve, we achieve in a haphazard fashion and are not able to consolidate our position. We advance on certain fronts and recede on others. Take the case of the cotton industry itself. The present productive capacity of the Indian Mills is about 3,600 million yards, just equal to our present requirement of Mill-made cloth—a very low figure indeed for a population of 360 millions. But while on the one hand nearly 60 per cent. of the mills in Bombay are closed for want of markets and thousands

are thrown out of employment, on the other hand we have entered into pacts with Lancashire and Japan to purchase from them cloth which we ourselves can produce. Under the pact with Japan, we are to sell to it cotton which under a planned system it should be possible to consume in India itself, thus making possible even a greater supply of clothing to the people. Then take the case of the Jute industry. We are supposed to have turned the corner and just now are working on a fair margin. But could it be said that the position is healthy ? We are working with 15 per cent. of our looms sealed and only 4 days in a week, thus curtailing production by nearly 40 per cent. Not only have thousands of workers been thrown out of employment, but their wages also have been reduced on account of curtailed production. While this is the condition of the old Mills who are producing only 60 per cent. of their total capacity, their agreement to work on a restricted scale is bringing into existence new mills many of whom are working double shift and making good profits. The new Mills are multiplying in number. The crisis is bound to come to a head some time and if the demand from foreign countries does not expand, then the trade has to be shared between the existing Mills, old and new, which may mean a curtailment of their production by 50 per cent. as against the existing 40 per cent. What can be a greater waste of capital and energy than this ? Why should money be blocked in an industry which is already idle to the extent of 40 per cent. of its productive capacity ? Under a planned system capital would be diverted into channels where it is more urgently required and not allowed to be wasted through duplication or other causes. Taking the case of raw jute, we find that we are exporting nearly 40 lakhs bales which is manufactured in other countries and then consumed. If we work our Mills double shift we can consume all the raw jute produced in India and thus wrest the territory at present held by foreign manufacturers, providing not raw but manufactured jute to those who are at present manufacturing a part of their requirements themselves. Whether it is a practical proposition has to be investigated. But it has not been done so far because there is no authorised agency to act in this behalf. Instances could be multiplied. We are producing things which we cannot sell while there is a great scarcity of things badly wanted. There are millions of unemployed wanting work and there are millions who have to go without having some of the most elementary needs of life satisfied. Can't we provide employment to those who are unemployed and thus feed the unfed,

clothe the unclothed and shelter the unsheltered? We *can*, only if we have a plan and the necessary authority to execute it.

WHAT WE SHOULD AIM AT

But let us clearly understand that there can be plans and plans. Plans after all can only be based on ideas. The word Planning in itself can have no attraction. It has become popular on account of its good associations, but planning can be for good as well as for ill and therefore unless we are clear about the goal and the ways of reaching it, the glib talk on the subject might lead us and the country astray. If we go to our architect with vague ideas and ask him to make a plan, he can do very little for us. To obtain the necessary help we have to tell him the kind of house we want—and the cost at which we want it. The expert can then produce a sketch which could be discussed, revised and adopted. In the case of National Economic Planning too, we have to work along the same line. But I should like to say this that we do not want experts from outside to tell us what plans we should or should not have. If we in India do not know our own problem, then I maintain no one knows it.

First of all we have to decide what sort of social conditions we would like to see established. What is the standard of living we should aim at and what should be the methods which we must employ to achieve it? Let us first deal with the question of the standard of living.

The object of Economic Planning should be in a layman's language to bring about maximum prosperity with a reasonable amount of effort. But there is a limit beyond which the standard of living cannot be raised without adopting unjust means. And as being a subject nation, we realise this truth more keenly than any one else, we do not aspire to any unduly high or luxurious standard of living which can be attained only through exploitation, in one form or another, of the labour of others. India is a subject nation and she has not design to subjugate others. She cannot, therefore, afford to have an unduly high standard of living. Those who think that India, without any colony to feed or slave for her, can attain the standard of western countries, are labouring under a gross illusion. We can depend only on our labour, which means that a standard of living which amounts to economic parasitism must for ever be ruled out of our thoughts. At the same time, I have not the least doubt

that we can have sufficient to meet all our requirements, with ample leisure for recreation. Our primary needs are two decent square meals of sufficient nourishment, say, of well-balanced 2,000 calories per head per day, with plenty of vitamins, so far as food goes ; sufficient clothing, say, about 55 yards per capita, and sufficient housing accommodation to shelter us. And all this we can have without much ado by our own exertion if national effort is directed in the right channel.

OUR PRESENT LOW STANDARD

The present supply of grains and cereals comes to about 9.1/2 chatacks per capita per day. If we take away from it the quantity required for seeds and cattle and also make allowance for wastages, etc., barely 1/2 seer per head per day would be available for human consumption. As there is no data available relating to the available supplies of meat, fish, vegetables, fruits and dairy products, it is not possible to say what amount of deficiency there exists in the total amount of our food supplies. But if there is any deficiency, it will have to be made up by producing more. It can be said however even in the absence of figures that we are suffering very badly from the deficiency of dairy products and fruit and vegetables. Our sugar consumption comes to about 16 lbs. per head per year which undoubtedly is low as compared with our physical needs. In other countries, it ranges between 60 to 120 lbs. per head per year.

Coming to cloth consumption, it comes to about 16 yards per capita per annum including hand-loom products—a quantity barely enough to cover one-fourth of the body. Even with the temperate climate in many parts of India, one cannot do with less than 2 pairs of dhoties, 6 kurtas, 6 underwears, 2 bedsheets, 2 chadars or cloth for quilt, caps and other things which require at least 55 yards per head. Thus the total requirement amounts to 19,250 million yards. Our Mills at present can produce 3,600 million yards, and hand-looms are producing 1,700 million yards, or a total of 5,300 million yards. Our requirement is nearly 4 times our present productive capacity, but the gap can be easily filled if the problem is tackled in the right spirit and along right lines. The total quantity of cotton required would be about 10 million bales and our production in the year 1927-1928 had reached 60 lakhs of bales. The area under cotton amounts to 23 million acres at present and with 6 million acres of land made

available by the Sukkar Barrage Scheme and other adjustments such as better manuring, etc., it should not be difficult to produce the required quantity of 10 million bales. In the absence of national planning we have been frantically eager to sell 15 lakhs bales of cotton to Japan, though as a matter of fact we are not yet able to grow all that we actually require.

So far as the housing problem is concerned, it may be said that the necessary material being available in the vicinity of every cottage, it is only a question of finding sufficient leisure for the masses to undertake the work. There will be many other requirements to be met. Education in itself is an important problem. But if the main needs are satisfied and the necessary leisure afforded, other things will automatically follow.

SOME ELEMENTARY PRINCIPLES.

But a mere re-capitulation of our main requirements would not suffice. A little more thinking is necessary even at this stage. The first step in planning should be to lay down certain principles for guidance, and one of these obviously must be that self-sufficiency is not to be attempted except where the conditions are decidedly favourable to it. It is no use trying to produce a thing in respect of which the country enjoys no natural advantages or for which no ready market exists. Fortunately for us Cloth, Sugar, Steel, Cement, Tea, Jute, Paper etc., fall under a different category. So far we have not infringed the natural law in this respect and have not built any industry along artificial lines as England and Japan have done in many cases—a thing which makes them dependent for supplies of raw material as well as for sales of finished products on foreign countries. If we have sinned, we have sinned in a different direction. Even where we have got both raw material and a ready home market, we have failed to take advantage of our favourable situation and have been depending so far for our supplies of finished products on foreign markets. This anomaly has to be stopped once for all. Roughly, we shall have to adopt measures (1) to increase our production all round so as to meet the maximum of our total requirements from homemade products where we can do so advantageously, (2) to import the balance which could not be produced advantageously at home, (3) to export against imports and services rendered, commodities which we cannot consume at home but for which a ready

market in foreign countries is assured. But no one should run away with the idea that with increased self-sufficiency our import trade would dwindle or vanish. In fact, I look forward to a time when under Planned Economy the volume of our imports will be much larger than what it is at present. I am not against the policy of buying and selling more abroad. But it would be foolish to buy more abroad when you can produce the articles yourself. Similarly, sel ling more abroad when you can consume the commodities yourself is nothing but lunacy. When our standard of living rises and our productivity increases, we shall have to purchase abroad many new articles which we are not accustomed to consume at present. Our foreign trade eventually must expand. Thus our dreaded self-sufficiency will not be a hindrance to Foreign Trade. There will be a division of labour between the producers at home and the producers abroad. For instance I doubt whether it would be necessary for us to become self-sufficient in respect of machinery, motor cars, various kinds of apparatus and appliances, certain kinds of woollen, silk and cotton fabrics, certain dyes, chemicals, mill stores, etc. The list is by no means exhaustive. Mineral oil will have to be imported in increased quantities. Once we have planned what we want to produce and what we want to import and export and once we have made a careful division of labour between the producers at home and abroad, trade pacts with foreign countries will be more scientific to the mutual advantage of both the parties. We would not then have to enter into pacts like the Indo-Japanese Pact under which we bound ourselves to purchase 400 million yards of cloth against sales of 15 lakhs bales of cotton. The iniquitous nature of this bargain, from the Indian point of view, can be realized from the fact that while the production of 400 million yards of cloth would require the labour of about fifty thousand men, the production of 15 lakhs bales of cotton would require the labour of men ten times that number. Such Pacts should only be made when we must buy something from abroad because we cannot produce it and we must sell something because we cannot consume it. Otherwise the barter becomes inequitable as in the case of this Pact. Of course, the Commerce Member could have not done better when he had to work in the absence of any Plan.

WEAPONS TO BE USED

Import and export tariffs, subsidies, trade pacts, the most favoured nation treatment, etc., are the weapons which will have to be

brought into use for directing our production and our imports and exports into the desired channels. It should not be forgotten that in order to raise our standard to the desired level we shall have to take long strides in production, not only industrial but also agricultural. In the industrial sphere there may not be any need of direct encouragement. Protective tariffs and the increased purchasing power of the masses will take care of the job, but in the case of agricultural produce such as cereals, oilseeds, fruits, dairy products, etc., some big concentrated efforts will have to be made to improve the situation, and nothing short of some sort of subsidy will be sufficient to induce the producer to produce more. And a sufficiency of food-stuffs is most essential for the maintenance of national health. No cost for the achievement of this object can be counted too great.

THE PROVINCIAL SPHERE

Here our task would of necessity assume a provincial character. A change in land laws, liquidation of rural indebtedness, scaling down of rents if prices are not to rise,—and prices cannot rise without inflation ; I am suggesting these alternatives in order that even without touching the exchange we may reach our goal—establishment of agricultural banks to advance loans and direct subsidies in some form to dairy and fruit industries, special measures for increasing agricultural production, substantial prizes for cattle, new laws or the regulation of cattle-breeding making it necessary to take licenses for maintaining breeding studs and such other measures will have to be taken for promoting production in fields.

WHENCE IS MONEY TO COME ?

Critics might ask how we are to find money for all these reforms. To them I would reply that they are thinking, from the force of habit, of money in terms of gold and silver and of paper. But even if money is to be counted in such terms, there is no dearth of it in India. There are 53 crores lying in the Gold Standard Reserve which could have been used for the economic advancement of the country rather than keeping it invested where it does not benefit India in the least. Similarly if the gold in the Paper Currency Reserve is revalued at the present price of gold, it will show a large profit which would be used for the economic uplift of the country. But as I have maintained, real money is not silver or gold but human labour of which we have plenty in India. In this respect perhaps

we are one of the richest nations in the world. I wonder why those who criticise the Indian habit of hoarding the precious metals view with equanimity the hoarded Indian labour lying dormant and unutilised which properly used can take light to every home. The question of capital therefore should not frighten us in the least. Money spent will flow back to Government's coffers if the spending is done on a proper plan. This secret has been realised by most of the countries who have planned. In order to create more employment Herr Hitler has recently announced that he is going to spend 1,050 million marks on roads and various other development items. One hundred and fifty million marks out of this will go towards matrimonial loans. What a relieving change in the ideas about birth-control! America too recently decided to spend 1,677 million dollars on public works. And she also decided to have a deficit budget of 9,000 million dollars during the next two years. Those who make a fetish of balancing budgets can learn something from America. I as a businessman fully appreciate the value of balanced budgets. But there are times when balancing the budgets in cottage becomes more important than balancing the Exchequer's budget. Mr. Keynes the eminent economist too suggests expenditure on public works as the most effective means of bringing about recovery. And from the recent speech of Mr. N. Chamberlain, it appears that even Conservative England is going to initiate a large housing scheme for the relief of unemployment. Those who bring in the question of capital simply want to dodge the issue. The problem in India at present is only of mobilising its idle labour or its idle capital as I should like to call it, and making it produce things for those who want them. The problem is a simple one, and yet its solution demands a gigantic effort with a bold policy and a determination to succeed on the part of the Government and the people.

WHAT WE SHOULD GUARD AGAINST

We must guard against one thing, that is, over-centralisation of production or the creation of any large disparity between the upper and the lower strata of society. India is mainly an agricultural country and it will continue to be so. Any scheme that may be formulated ought to take into consideration the peculiar conditions of India. We do not aspire to build industries artificially on the strength of our export trade. Whatever industrial development there will be,

will have to depend entirely on the home market. Therefore even when we have developed our industries fully to satisfy our total needs, they will represent nothing more than a tiny little spot on the map of India. If we then centralise the industries in any one area or one province which has no special natural advantages, we would be disturbing the rural life, causing waste of labour and creating industrial unrest. Probably in this respect, the model should be sugar industry which is mostly located near the fields. It is not desirable that a man from U. P. should have to go to Calcutta or Bombay to find employment. Any industrial expansion should therefore be in rural areas, well-distributed and never too much centralised. The fixation of zones by Government may bring about an even distribution of industries.

We should not forget that the success of a Plan which contemplates increased production depends entirely on a parallel increase in the purchasing power of the masses. If there is no wherewithal to buy, then increased production will be simply decorating the warehouses of the producers. We shall, therefore, have to take care when we begin to produce more that the extra wealth so created finds its way direct to the cottage and does not form itself into a stagnant pool. If it does so, then the whole scheme is bound to collapse. This is what happened in America which was largely responsible for the creation of "poverty in plenty" there. This was probably fully realised by President Roosevelt who brought about the so-called prosperity in America not by increasing national wealth but by tapping the idle money by various means and putting it at the disposal of those who wanted it. Depreciation of value of money, generous labour laws, increased wages, direct help to farmers, public works expenditure and unbalanced budgets were some of the means adopted by him. But the one object of all those measures was to narrow down the disparity between the highest and the lowest, and he brought about this change with the ready assent of those benefited as well as those penalised. The penalised readily assented to this action because they knew that it was in their interest, for there is no surer method of inviting Bolshevism, communism or anarchism than to create an unhealthy disparity between the higher and the lower strata of society. Disparity there will be, so long as enterprise, venture, intelligence, honesty, thrift and all such virtues are allowed to have free play and even when these have been destroyed, disparity will remain though probably under some misleading name. But there

is a limit to everything and to create an unnatural and unhealthy disparity is to invite the surest disaster. And thus it could be said to the credit of President Roosevelt that he saved America from a communistic revolution by tapping idle capital and distributing it for the good of all. Fortunately in India we have not so far such a large disparity. The number of people paying income-tax for incomes of Rs. 10,000 or upwards totalled only 35,000 in 1931-32, a drop of 11,000 from the figure of 1929-30. This shows our poverty. Only 1 in ten thousand has an income of Rs. 10,000 or more. But when we take a gigantic step to increase the country's wealth, there is danger of a great disparity being created, if we do not guard against this from the very beginning. In fact, before any disparity is created, the whole plan will collapse because Planned Economy under which every citizen is to have a higher standard of living and unhealthy disparities are contradictions in terms. If we, therefore, desire the Plan to succeed,the creation of unhealthy disparities will have to be guarded against. The best safeguard is provided by equitable taxation. I should not be misunderstood. Our Government is capable of tearing words from their context and using them against us in imposing new taxation without fulfilling the other conditions. Friends in this House may charge me with committing myself to new taxation. Nothing of the kind. I make it clear that I am not in favour of any new taxation under the existing circumstances. But when we create new wealth largely with the help of funds going out of Government coffers, you will agree with me that the money must flow back in course of time. And it could flow back only if those who are benefited are properly tapped and not allowed to keep money in an unproductive form. Besides if the money goes out to create wealth for the masses, it must be allowed to fulfill its function. Any creation of an unhealthy disparity will not allow it to do its function. If, therefore, with a proper planning new taxes are imposed to allow the free movement of money and also to check the unhealthy disparities, I hope, no one in this House will grudge it. This is all that I seek. I think, in the interest of the masses as well as in the interest of the business men, no one can grumble at this. I hope I have left no room for misunderstanding.

DELHI AND PROVINCES

Before I conclude I wish to say a word or two by way of suggestion about the Government's move. As you all know, the

Finance Member is inviting a Conference of the Provincial Representatives to discuss the programme relating to the economic uplift of the country. So far so good. But may I point out that while the provinces will have to be responsible for the administration of the scheme if one is prepared, they are not in an independent position to prepare one themselves. First of all there is the question of finance which the Central Government alone can solve: Secondly, comes the question of planning production as well as imports and exports. Weapons to be employed to that end, *i.e.*, tariffs and bounties and the initiation of Trade Pacts, etc., belong to the armoury of the Central Government. Thirdly, comes the question of division of labour even amongst the provinces themselves. Here again the Central authority alone by acting as a co-ordinating link can adjust the claims. Then there is the Railway and Taxation policy and last but not least is the question of some amount of uniformity in legislation and action. I, therefore, maintain that the source of inspiration could be the Central authority alone and not the provinces. Leaving the things to the provinces will result only in a postponement of the issue. After all, what could the provinces with their limited resources and power do?

Sir, I have done. Such suggestions as I have made may not be free from defects or flaws, but they are meant only to indicate the directions in which we must move if we want to plan for the future. I realize that abler men could have done better justice to the subject, and made more helpful suggestions. But a stage comes when after having made the most profound analysis and discussed every aspect of the question we ask ourselves: Whither does all this lead? And then quite naturally there creeps over us a feeling of despondency, even of despair. I am sure however that none of us will allow ourselves to be overcome by such a feeling, for those who have faith in God, in the righteousness of their cause, or—to put it no higher than this—in "the inevitability of gradualness" know that darkness has to yield to light and that the Dawn cannot be indefinitely postponed.

Mr. A. D. Shroff: Sir, I do not want to interrupt Mr. Birla's very interesting exposition of his speech but I do feel that for the convenience of the whole House there ought to be a reasonable time-limit for any one speaker in this House. Looking up the rules, I find that our rules prescribe a maximum limit of fifteen minutes for the

proposer. We have had a wonderful exposition of the subject for an hour and a quarter already and I should like to know if the same latitude is to continue for other three speakers.

President: This is a very important resolution, and so I have allowed Mr. Birla to place his views before the House at a somewhat full length.

Mr. Birla: Gentlemen, I have no desire to obtrude myself on this House but I thought that everybody wanted that I should continue my speech. (Voices: Quite so, Quite so, certainly. Go on). Well, Sir, I do not think I have much more to say. I might have something more to say but having regard to the feeling of some members who seem to be bored by my speech (Voices: No, no, not at all, not at all, we want to hear you, go on). Well, Sir, I have said enough. (Loud and thundering applause).

Sir Purshotamdas Thakurdas (Indian Merchants Chamber, Bombay): Sir, after hearing the very full, comprehensive and if I may say so—learned speech of Mr. Ghansyam Das Birla, I am sure the House will agree with me that he has done a great service to this Federation by putting forward his views at length (Loud Applause) and, if I may say so, with the fulness that he has done. Knowing Mr. Birla and the depth to which he thinks over these matters, nothing else could have been expected from him. I do not propose, Mr. President, to take up any more time of this House by elaborating the various aspects which he has put before you, for the House has already heard me when I moved another resolution earlier, but I am tempted to just bring out a few of the outstanding features of the Government policy as it has struck me lately. My friend Mr. Birla said that he does not want to charge the Government with inaction during the last ten years. I was wondering whether we could charge the Government of India with inaction during the last three years or not. Sir, during the last three years ever since Great Britain went off the gold standard and therefore India was also ordered to go off the gold standard, what emergency measures were taken by Great Britain in order to protect her industries and her agriculture although agricultural industries are not so very important there? What emergency measures were taken in Great Britain? Similarly in the case of other countries which went off gold standard or which were affected by the full blast of the economic blizzard which has been

blowing all over the world for the last three years, have they taken emergency measures? Sir, needless to say that almost every major country and every dominion in the British Empire has taken such emergency measures as were necessary for its agricultural and industrial needs. Have the Government of India found it necessary to take any emergency measure for the protection of that class of Indians about whom the Government is never tired of pleading when it suits them, namely, the grower? I will pause for a reply. (Mr. Bagaria: They have appointed committees). I will still pause for a reply to the question, have any emergency measures been taken by the Government during the last three years, when every other country has taken emergency measures in the interest of their own nationals? (A member: They have promulgated Ordinances). I still pause for a reply; that is not a relevant reply. (Mr. Khaitan: None whatsoever). Why has India had that exceptional honour of being treated in a particular manner when every other country in the world, including the richest country America and down to the poorest and the smallest colony was allowed to adjust her requirements in accordance with what was dictated by the best interests of her own people? Why has India had this distinction that they rule India so well that even during these three years, no emergency measure was considered necessary? Because India could not help giving out her gold which amounted to the output of one or two or three gold mines and could not help putting it at the disposal of the west, the millions of Indians whose economic condition has deteriorated in common with the rest of the world had been overlooked up till now. No emergency measure has been taken, no emergency measure has been countenanced, and those who suggested anything in that direction were run down as people who were playing for their own hand. If there is one condemnation of the policy of the Government during the last five years—and I deliberately speak so bearing in mind that this Finance Member's regime is to come to an end soon,—it is this, that India has been treated in a manner which is exceptional in the whole civilised world and I say and I assert that it has been done at the expense of the vast masses of India (hear, hear).

Sir, I promised at the start that I will only draw a few outstanding lines. I am reminded here of the speech which Sir George Schuster delivered at Ottawa when he happened to be one of the delegates at the Ottawa conference. Those of us who can remember that

speech, feel that the Finance Member of India spoke there very much on the lines of what Indians would have liked to speak. What has been the result? A policy of inflation and a policy of adjustment of currency to the local requirements of the country has been the order of the day in every dominion except India, and in India those who protested and said that the ratio was a great hardship have had the distinction of being tabooed as either speculators or as those who wanted to benefit by protesting in the name of the masses of India. America—whether President Roosevelt's policy will succeed or not is in the lap of the future—but there is no doubt about it that whether it be a conservative Britisher or whether it be a communistic Russian everybody admires the way in which President Roosevelt took courage in both hands and went ahead and said, 'I am going to do my best and give my agriculturists an opportunity, should nature allow it.' In India, on the contrary, what has been the case? As long as they have gold and as along as they see that India's credit abroad is maintained, as long as Clive street and, if I may add, Hornby road in the Bombay city and the bankers there feel that they are comfortable there is no trouble. The rest of India whether it be this Federation or this Chamber or that Chamber can be tabooed and by giving them a bad name the Finance Member found it easy to carry the Assembly with him. Sir, whether the Assembly or a certain set of people will tolerate this or swallow that or not is a minor matter. Nature cannot and will not tolerate such pranks with a country about the people of whom the British urge that they are trustees. Having this outlook behind us I cannot help feeling that the Resolution which we pass here today and which I rise to second before you is a Resolution over which we can only take this satisfaction that we put before the public what we are feeling as necessary in the interests of the country and I at any rate think that bearing in mind the traditions of the Government till now there is little that we expect from the Government of India constituted as it is at present. If they will learn and if they do wish to do something which will carry weight in the eyes of the people, and will convince them of their bonafides there is still something that they can fall back upon—but I am not very optimistic about it for the reason that we recommend them to do something which is really effective and which will be on a systematic and scientific investigation line. But I am afraid the Government may not care to adopt our solution.

Now, Sir, how many times before now have the Government made efforts in this direction. Sir Arthur Salter came out here as we were told on behalf of the League of Nations. He was going to advise the Government of India. He had gone round all the provinces and tendered the provincial governments advice. I am sure that he interviewed several of the Indian Chambers of Commerce and in some places had very frank and outspoken views from some of the Chambers. What happened ? Sir Arthur Salter's report is a matter which I believe is still a mystery as far as the public of India is concerned. I will not mention the Taxation Enquiry Committee because that was for a particular purpose *viz.* to see how taxation could be raised. Then there was the Economic Enquiry Committee presided over by Sir M. Visveswarayya. He sent in a very useful report and those who know Sir M. Visveswarayya know how thorough-going he is in anything he puts his hands to and this report has been very conveniently shelved. After that they had the Banking Enquiry Committee and it had very comprehensive terms of reference. After this committee's report was out the Government themselves admitted that it does give very good information about all-India economic conditions which they did not have till then. Is all this material no good, because a few years have passed ? Now two Professors are out from England and are going over all parts of the country. I have no doubt they must be very able persons and they are now asked to advise the Government of India how the papers and records are to be kept and maintained, rather a late move after 150 years of British rule. The suspicion that arises in the minds of Indians is this : is this going to be an economic enquiry committee to show Great Britain what more can be done for them in India or is it to be an economic enquiry committee which will really cater for and diagnose the diseases of the Indians. I feel therefore that as far as these efforts of the Government are concerned, they do not inspire confidence amongst the Indian public. The Indian public do not want any more reports or committees. They want to see something done on lines which will give relief first to Indians and after that if anybody else shares it India may not be jealous of it. I am afraid that the way in which the machine is set till now here and the prospect that one sees of the reforms as they are said to be coming, do not give much hope that what we put forward here is likely to be followed by Government for helping India. In the meantime as Mr. Birla has said every individual's effort can be useful only with the

help of Government and not merely if undertaken by anybody either commercial or industrial. The anxiety of India is that if world conditions in India do not show any move for the better, is there anything left in India on which the masses can fall back after they have been impoverished to the extent of 175 crores of gold, 80 per cent of which is admitted to be distress gold which has left the country. The grower has no credit with the sahukar and the moneylender ; there is no question of banks in India yet catering for this class and if what the grower possesses as gold is slowly being parted with, should there be a freak of nature, what is it that this country is in for ? It is only, Sir, with these words again, of what I may call grave warning, that I can conclude my remarks. (Cheers).

*Mr. G. S. Salariya (Indian Chamber of Commerce, Lahore) : After hearing the powerful speech of Mr. Birla and Sir Purshotamdas Thakurdas, I do not think there is anything left for me to say on the subject. The matter has been dealt with very fully by Mr. Birla, but there is just one thing as a Punjabi that I would like to say and bring to your notice. Mr. Birla has told you as to what the situation is. He has also told you what ought to be done. Sir Purshotamdas Thakurdas has told you as to what the Government have not done. But I want to tell you that unless something is done immediately a very grave danger is ahead. I come from an agricultural province where this world depression has hit very hard. The fall in price has not left anything for the agriculturist unlike industrial provinces like Bombay and Madras and consequently we depend absolutely upon agriculture for our everyday living. Now the prices have gone down so much that the agriculturists have to sell their distress crops even to pay their revenue. When the crops could not fetch any money for the payment of revenue, then they parted with their distress gold also and paid the revenues of Government. It is therefore essential that whatever is done and whatever is decided to be done, this fact should not be lost sight of that much time may not be lost in investigating the matter as to what has got to be done and what has not got to be done. Other Governments of other countries have done much for the alleviation of the distress of their people. Similarly here the P. W. D. have taken in hand and money has been spent on it but there must be a check so to say upon the distress that is prevailing at the moment in the country. The purchas-

*Speech not corrected.

ing power of the masses is very low at present, so low that it is bound to react upon other provinces as well. There would be no money to make the purchases so far as commerce is concerned. Commerce and industry would be hard hit and I wanted to draw your attention to the immediate necessity of doing something. Our President has said in his address yesterday that we must not solely depend upon Government as to what they would do and what they would not do and that people's own co-operation could do a lot. I hope that something in this matter may be tried to be done by the Federation and some sort of beginning may be made which may give a lead to either the Government and the people to better themselves in times of distress. With these words I support the Resolution.

Mr. B. C. Ghose (Bengal National Chamber of Commerce, Calcutta): In view of the fact that the resolution has already been ably moved, seconded and supported, and, further, having due regard to the feelings of Mr. Shroff, I shall content myself with saying only a few words on the subject. Mr. Birla has quoted copious statistics to prove that things have not really improved as compared to conditions a year or two ago. But, as I view the situation, the real point is not whether things now show some slight improvement on conditions a year or two ago, but rather that, as compared to pre-depression days, we are still in a very bad way. It should therefore be our aim to devise remedial measures to alleviate present misery. Sir Purshotamdas Thakurdas has pointed out that India seems to be singled out as the only country where no emergent measures have been adopted to deal with the abnormal situation created by the depression. The reason why this is so would seem to be that the Government have unbounded faith in the old classical theory that the natural play of economic forces will bring about some sort of an equilibrium in the long run. This is probably true, but in the long run we shall all be dead. What we are vitally interested in is the present, and something must be done now and immediately. Indeed, the complete apathy and indifference on the part of the Government even after four years of the severest economic depression in history is a sad commentary on the interest which they take in the economic well-being of the country. A mere negative policy will not either be of any great use. For example, it will be of no use just to make money cheap, unless conditions are created which will favour advantage being taken of this cheapness. And the Govern-

ment have not even made money as cheap as it should have been. By their remittance policy, they have in fact prevented money from being cheaper still. What we want and need is a constructive scheme of work. If the Government find they have not enough money now to undertake any comprehensive scheme of work, they can at least make some attempts in this direction so that a psychological lead may be given which would help the revival of trade and industry in the country. The need for action in this respect is, I think, very urgent. With these words, Gentlemen, I support the resolution.

The resolution was adopted unanimously.

Mr. A. L. Ojha (Indian Chamber of Commerce, Calcutta): Sir, I beg to move the Resolution which stands in my name :

PROTECTION TO SMALL INDUSTRIES.

" (i) The Federation is of opinion that whereas the new specific duties introduced as a result of the Agreement with Japan would afford some relief to the numerous struggling smaller industries of India, they do not ensure to them adequate protection against Japanese competition.

(ii) The Federation draws the immediate attention of the Government of India to the difficult condition of small industries in India and is of opinion that the new duties are not adequate and effective in the case of a number of industries like hosiery, glass, enamelware, starch etc., especially in view of the fact that these industries are comparatively in nascent condition and have still to acquire financial strength and technical perfection to meet foreign competition.

(iii) The Federation urges upon the Government the fact that many of the aforementioned industries deserve substantial protection to foster their growth and development in India, and suggests that the relief given to these by the emergency measures provided for by the recent Tariff Act should be replaced by an adequate measure of protection."

The resolution is a self-explanatory one and it is, therefore, unnecessary for me to inflict a speech. I may, however tell you that this resolution comes in at a most opportune time. The small scale industries of the country (they are small only because of their

present size and not because of any inherent inability to expand) which have been fighting against heavy odds have at last gained some measure of recognition from the Government. The Government in their Tariff Act recently introduced in the Assembly have tried to give some slight measure of help in order to enable the existing small industries to survive. The only unfortunate part of it lies in the fact that, even now the Government have not fully realised the extreme disaster that has overtaken these industries on account of the unhealthy competition engendered from abroad which has been aided not only by deliberate currency depreciation on the part of some foreign countries, but also by organised efforts with the help of a combination of various powerful interests concerned. The consequence of the inability on the part of the Government to gauge properly the damage done, has resulted in the relief afforded by them being much delayed and even then hardly sufficient to protect the home industries from foreign menace.

Gentlemen, I can give you facts and figures in connection with various small industries. As I told you, however, it is not necessary to make a speech as the resolution is self-explanatory. But even then I think it would go a long way to help all concerned in this House and outside to understand the position of the different industries if facts and figures are given. I do not, however, propose to take a long time and I think if I give you facts and figures concerning one or two industries, that should suffice.

I propose taking up only the Soap and Glass industries of the country, as typical of the various small industries sought to be protected from foreign competition. The state of affairs that prevails in these also prevails in varying degrees in other industries such as enamels, starch, heavy chemicals, Umbrella materials etc.

The soap industry of India to-day presents typically the problems faced by the medium and small sized industries of this country in their competition with foreign articles which continue to be sold at the most uneconomic prices. The protection afforded by the Tariff Amendment Bill of 1934 is in many cases inadequate. Taking for instance the toilet soaps, the Government proposal to continue the existing 35% ad valorem duty or levy a specific duty of Rs. 20/- per cwt.—and this is also on non-British soap and so in case of imports of British soaps it is less,—is found on examination to be of very

little help to the soap manufacturers of India. The C. I. F. price of the Japanese Turkish Bath Soaps comes to Rs. 6/- per gross. The new levy of specific duty of Rs. 20 per cwt. amounts nearly to Rs. 5/- per gross, bringing the Japanese Turkish Bath Soaps at port towns to Rs. 11/- per gross. As against this, the very prime cost of the Indian Manufactures of Turkish Bath Soaps of more or less identical size and variety amounts to Rs. 11/- per gross, and the actual nett price of the Indian Turkish Bath Soaps ex-Factory comes to Rs. 13/8/- per gross. The Japanese soaps of this variety are therefore cheaper by about Rs. 2/8/- per gross. In order to make the Indian industry thrive and earn a minimum amount of profit, the prices of these soaps have to be increased at least to Rs. 15/- per gross. This would give about 10 per cent profit only. To enable the Indian soaps to be sold at Rs. 15/- per gross, the specific duty should be raised from Rs. 20/- to Rs. 36/- per cwt. As 4 gross of Turkish Bath soaps weigh about 1 cwt., the duty on 1 gross of foreign soaps would be Rs. 9/- and in the case of Japanese Turkish Bath Soaps the prices at port towns would come to Rs. 15/- per gross, which is the only fair price at which Indian manufacturers can be reasonably expected to compete.

The soap industry in India which has been progressing well during the last one decade and half has been faced with a severe set-back during the last four years. The following figures show how in-spite of the unprecedented depression and fall in the purchasing power of people, the inflow of foreign soaps has been increasing almost continuously during the recent years :—

	Import of Toilet Soaps.
1930-31	32,354 cwts.
1931-32	31,776 ,,
1932-33	43,812 ,,
1933-April to January 1934, (ten months)	42,254 ,,

Year after year, nearly one crore of Rupees and more flow out of the country by way of payment for the import of foreign soaps. This drain could be easily stopped, if only a little encouragement and help is given to the indigenous industry whose production is in no way inferior to the foreign manufacturers, so far as quality is concerned.

The consideration of the proposed alteration in the duties for example under item No. 158 (M) in the schedule appended to the Indian Tariff (Textile Protection) Amendment Bill 1934, introduced in the Assembly on the 5th February of the current year, would show the inadequacy of the Government's help in regard to the hosiery industry. For such of the cotton hosiery as are covered by item No. 158 (O) of the Bill, a specific duty based on weight namely -/9/- per lb. is substituted for a duty of Rs. 1/8/- per Doz. as originally provided for in the Tariff Bill of December last. As the incidence of the duty of Rs. 1/8/- per Doz. is certainly greater than -/9/- per lb. a disservice to the hosiery industry has been done by substituting the latter for the former, it leaves practically half of the Industry unprotected. If the Government want to base the duty on weight instead of on numbers, then the duty must be at least Re 1/- per lb. and not -/9/- per lb. since from experience it is found, that 1 Doz. Japanese undervests come to an average weight of at least 2 lbs. It may be pointed out that a duty of Rs. 1/8/- per doz. or its equivalent of Re. 1/- per lb. is itself less than the actual amount of protection now required on account of the fact, that after the Tariff Board investigated and recommended a duty of Rs. 1/8/- per doz. there has been no less than a further 18% depreciation of Yen upto the present time.

Coming to the glass industry, it is proposed for instance to levy a duty of -/4/6 per dozen on globes and chimneys or to continue the existing 25% ad valorem whichever is higher. The C.I.F. prices at a particular time of Japanese globe came to Rs. 9/- per gross in 1931 *i.e.* before the Yen commenced to depreciate. The 25% ad valorem duty therefore amounted to Rs. 2/4/- as the specific duty of -/4/6 per doz. amounts to Rs. 3/6/- per gross as against the pre-existing ad valorem duty of Rs. 2/4/- per gross, the present specific rates are certainly higher. Calculation on a percentage basis reveals that the incidence of the enhanced duty now comes to 37½% which is just 12½ over the ad valorem duty of 25%. When this increase of 12.1/2 is contrasted with the fall in the exchange value of Yen between 1931 and now and which amounts to more than 40% the great inadequacy of protection granted would become immediately apparent.

Now I refer to hosiery. Of course in the case of hosiery when representation was made to enhance the duty it was worked out that

the duty should be about 12 annas to Re. 1. And since the Select Committee has gone into the question and recommended the enhancement of the duty to 12 annas, I do not want to deal with this at this stage. I only hope that the increase in duty will give the industry the necessary help required.

In connection with the glass industry, I should like to add one point and that is this. There are now in the country as many as 50. glass factories employing nearly 6000 men per month and producing goods worth nearly Rs. 40/- to 50/- lakhs. The Indian glass factories are now turning out improved varieties of glassware of excellent quality. Unfortunately, most of them have to work shorter hours and curtail their production, on account of the severe Japanese competition. But for this competition the industry would have been fairly developed. As I told you, gentlemen, I can multiply instances by giving you facts and figures in connection with other small industries but I do not think it is necessary to do that at this stage. And I should like to conclude by saying that these industries and several other small industries fully comply with all conditions laid down for protection in the Fiscal Commission's Report. It is now up to the Government to take the lead in the matter and create a self-sufficient and economically developed India by adopting a bold and systematic policy of protection with regard to them. An industrialised India will be their asset. With these words, I commend this resolution to your consideration, discussion and acceptance.

Sardar P. S. Sodhbans (Indian Chamber of Commerce, Lahore) : Mr. President and gentlemen, I heartily support this resolution which has been moved by my friend Mr. Ojha and I wish to draw special attention to the glass industry. In the Punjab three glass factories have been closed down on account of this Japanese competition, and there are only two or three and they are in a helpless condition and are working short hours. It is all mainly due to the apathy of the Government. Some years ago Government referred this matter to the Tariff Board and the report of the Tariff Board is still lying in the shelves of the Secretariat. And whenever any enquiry is made no reply is received or they say the question is under the consideration of the Government of India. So we do not know how long Government will take to consider the case of this nascent industry. Apart from this I take the case of the match industry. This industry originally a small industry has now begun to grow. Instead of grant-

ing protection from foreign competition an excise duty has been levied at Rs. 2/4 per gross. I cannot for a moment imagine on what basis Government are going to charge such a heavy excise duty. It seems Government instead of helping the industry is going to kill it by such a heavy excise duty and without fixing the price level as outlined in the Tariff Board Report. There will be internal competition between the factories themselves and in this way the output will be very small. In the Bill which has been moved, the Government have provided many penalties for these factories. I do not know whether under these circumstances, this industry will be able to carry on its further progress ?

I now come to the silk industry. This industry is also in a grave plight. Silk weaving factories in the Punjab have practically closed down because they cannot compete with the Japanese goods. I understand the Mysore Chamber of Commerce has also made a strong representation to Government but no action has yet been taken. The silk cloth which used to be sold at the rate of one rupee to four rupees a yard some years ago is now sold at 6 annas to one rupee or so a yard, and the best quality of Japanese silk is obtainable at Rs. 1/8 or 1/12 a yard. Under these conditions the plight of the industry is unimaginable.

We have now started a new industry of enamel ware and potteries and these industries also are feeling the competition very keenly, because a Japanese tea set is sold at Rs. 1/12/- a set ; how is it possible for this nascent Indian industry to compete unless adequate protection is granted to these industries ? I fear our Indian industries will not stand the competition.

It is very hard to give facts and figures at the present moment —it is only a general question at present. With these words I second the resolution of my friend, Mr. Ojha.

Mr. I. D. Varshanie (U. P. Chamber of Commerce, Cawnpore) : Mr. President and gentlemen, I rise to support the resolution of protection to small industries. You are well aware that in order to attain success in any industry, one needs to know not only how to do a thing but how to do it rightly and efficiently, which can only be achieved by close application and long experience in order to compete with more developed concerns of longer standing outside

India. I am specially putting the case of glass industry before you, which has come to exist in India only for last 25 years. Although scattered efforts were made even before that in a few places but they came to nothing. Probably the present glass industry of blown wares started properly with the start of 'Paisa Fund Glass Works, Talegaon in 1908 where the present speaker made special efforts to train labour more for the sake of industry than for the sake of financial gain. By and by there came into existence before the last world war commenced in 1914, five glass factories. During the great war the imported goods were coming with restriction and hence price of imported articles went up and in course of 5 years about 4 dozen glass factories were started in different parts of India, but soon after the things came to normal conditions and foreign competition increased, and the factories began to find difficulty in competing with the imported goods. Their labour was not trained enough and was not able to stand in competition with labour abroad trained for centuries. However according to the principle of survival of the fittest, some continued to work struggling all along for their existence and many died out. The glass manufacturers realized the necessity of protection and approached the Government in 1926 for the purpose. Tariff Board was appointed, they submitted their report in March 1932 since then the matter has been pending decision by Government of India. India has invested more than one crore in the glass industry.

In 1921 the U.P. Glass Works Ltd., Bahjoi thought of taking up the manufacture of window glass so far unattempted by any other concern in India. The first attempt was made in 1923 with the help of an American expert. But the company could not succeed owing to some technical difficulties and this branch had to be closed down after a loss of Rs. 90000/-.

The company continued its investigation and efforts to make this industry a success, sent out for training two technically trained young men to Europe, imported six Belgium experts to get over all technical difficulties, purchased three upto date Fourcault machines and restarted the manufacture of window panes in October 1928. In that year it had to incur another loss of Rs. 70000/- in three months. The company gradually reduced its expenses, trained its labour, and did its best to increase the efficiency of the plant; yet there have been losses throughout,

The price of imported glass of certain standard sizes was Rs. 8/8/- per case in 1927 but on account of competition with this factory the importers went on constantly decreasing their prices, so much so that today the imported window glass is sold at Rs. 6/- per case F.O.R. importing places. To meet this increasing keen competition the U.P. Glass Works, Ltd., has constantly been decreasing their expenses and increasing their efficiency. In 1928 their production was 51 cases a day. It has come up to 211 cases per day in 1933, yet their present cost of production is more than Rs. 7/12/- and the price of imported glass is Rs. 6/- F.O.R. importing places. Consequently they can only sell where railway freight helps them. Thus the market left for Bahjoi is about 1/6th of India, while the capacity of production can meet the demand of 1/3rd. of India The unit used by them is of 4 fourcault machines, which is supposed to be smallest economic unit. With such a small unit they can not work for more than 6 months in a year.

The very great disadvantage under which Glass Works have been labouring is 25 p.c. duty on imported Soda. This with railway freight and steamer charges from importing place to Bahjoi comes to 50 p.c. on the price of Soda ash and 13 p.c. on the cost of production of window glass *i.e.*, Re. 1/- per case. The efficiency of labour is greatly hampered by discontinued work for broken periods on account of want of market due to dumping of imported stuff.

This sort of disadvantage is natural to an industry in its infancy. If it is protected in time, it will quickly gain strength and in course of time will stand on its own legs, which will mean innumerable advantages to the country. I have calculated the following figures for the production of Rs. 8 lacs worth window glass in India.

		Rs.
1.	Gain to Government revenue Custom on Soda ash on Rs. 144,000/- (1440 tons at Rs. 100/- per ton C.I.F.C.I.) at Rs. 25 p.c.	36,000/-
2.	Gain as railway freights (accruing entirely to state railways) on	
	(*a*) Sand from Bargarh to Bahjoi 102350 maunds @ -/3/- a Md. ..	19,100/-

(*b*)	Soda ash from Calcutta to Bahjoi 40428 maunds @ -/10/- a Md. ...	25,267/-	
(*c*)	Coal from Raniganj to Bahjoi 10000 tons at Rs. 10/- a ton ..	100,000/	
(*d*)	Fireclay and Planks	10,000/-	
(*e*)	Limestone from Katni to Bahjoi 29641 Mds. -/5/3 a Md..	11,887/-	166,344/-

3. Gain to General Public.

Sand 102350 Mds. @ -/3/- per Md. at querry	19,190/-
Lime 29640 Mds. @ -/2/- .. Do.	3,705/-
Saltcake 300 tons @ Rs. 100/- a ton at works.	30,000/-
Coal 10000 tons @ Rs. 3/- per ton at colliery	30,000/-
Planks cost at supplier's place	60,000/-
Fireclay and Firebricks	10,000/-
Grass and other materials	4,000/-
	156,895/-

4. Gain to labour at Bahjoi 100,000/-

This will help to relieve unemployment.

5. Country's money at least to the extent of 6 lacs will be saved from going out as c.i.f. price of imported window glass.

6. Will increase general prosperity of the country.

7. Will also increase chances for realizing more income-tax and for other advantages incidental to the prosperity of the people.

Thus along with the establishment of one window glass factory there will be such enormous gain to the country but our Government are very slow and perhaps indifferent to protect industries and take so long to be convinced of the desirability of developing the indigenous industries. They are fully aware that India has been importing window panes worth above Rs. 16 lacs every year, but although they have been approached for last 5 years and the urgency of the matter has been explained, they would not think of taking any measure of protecting it.

Now so far in brief about window glass, let us take other articles in glass industry on account of which India is put to a heavy loss. Glass tumblers, glass jars, bottles and bangles are manufactured

in India for some years. Their establishment has cost India good deal and are in position to meet whole demand, but on account of the foreign competition specially of Japan their production is curtailed seriously. I am giving a list below of a few articles which are being manufactured in India and if protected sufficiently will meet India's whole demand or will soon be developed to meet the whole demand and will save so much money for the country as shown by their annual imports of 1932-33.

Window Panes and sheet glass	Rs.	16,00,000
Glass Bangles	Rs.	39,88,000
Bottles and phiales..	Rs.	24,40,000
Table wares, tumbler, Jars etc... ..	Rs.	6,00,000
Electric Bulbs	Rs.	35,98,000
Enamelware	Rs.	22,88,000
Porcelain and pottery wares	Rs.	49,56,000
Starch	Rs.	34,43,000
Toilet oil, soap and scents	Rs.	58,13,000
Metallic lamps & burners..	Rs.	46,80,000

From 40 to 60 p.c. of the amount of imports of articles given above is the amount of raw material available in India and labour employed. Thus it will be easily understood that the burning question of non-employment is so easily and effectively solved by protecting these industries. In fact industries are the only means for the prosperity of a nation and peace of public. Other countries more industrially advanced like America, Germany, Belgium and Japan are protecting their industries by high tariff wall of 100 p.c., 150 p.c. or even 200 p.c. import duty, while India's industries, though India Government has adopted for long discriminating protecting policy, are left like neglected child.

With these words I support the resolution.

Mr. N. N. Rakshit (B. & O. Chamber of Commerce) : Mr. President and brother delegates. I beg to support the resolution moved by Mr, Ojha. The demand in this resolution is a very modest one ; there are some specific grievances of these small industries, but I shall not weary the House with a catalogue of these grievances. But one or two I must mention in order to do justice to this resolution. Government alone can remove them. One is the transport facilities. There are some small foundries, the mention of which the mover of

this resolution has carefully avoided, though they are using hard coke in which he is interested; and the freight charges for same commodities for the bigger concerns near about Asansol, owned and managed by Englishmen, are much below the freight rates charged to the small indigenous industries round about Calcutta. It is nearly half. And as for other raw materials the freight on them is much higher than these favoured companies have to pay and though the Government from the public platforms and on ceremonial occasions assures that they are out to help the small industries, but in reality when the small industries ask for help it is denied to them because they are small. So unless these small industries get fair and equitable treatment that the bigger industries get, they cannot stand on their own legs. It is only proper therefore that we ask for more protection for these small industries. With these words I beg to support this resolution.

The resolution was put to vote and was adopted unanimously.

Mr. A. D. Shroff (Indian Merchants Chamber, Bombay): Mr. President and gentlemen, I beg to move:

INDIAN COMPANIES ACT

"The Federation is of opinion that the Indian Companies Act, 1913, is out of date and ineffective for the purpose of regulating Joint Stock enterprises on sound and healthy lines, and the Federation therefore urges the Government of India to take steps for the revision of the Act at an early date and for that purpose recommends the appointment of a Committee to consider and report upon the changes necessary in the Act."

Mr. President and gentlemen, so much water has run under the bridges since the present Companies Act was enacted that it hardly needs making out a big case to support the general demand which I find is supported every day from different parts of the country for an early amendment of the Indian Companies Act, 1913, in view of the developments which have taken place since 1913, in view of the varied and if I may say very unfortunate experiences that we have had during the last 18 or 20 years as a result of the working of the Joint Stock Companies by people whose claim to undertake industrial enterprises in India may be doubted with very great confidence. The abuses which we have come to know, the abuses which are possi-

ble owing to the numerous loopholes in the various provisions of the Indian Companies Act are abuses too numerous to mention, but perhaps I might refer to one or two just to illustrate what is exactly meant by the wording of the Resolution when we say that the Act is out of date and is ineffective for the purpose of regulating joint stock enterprise in this country. The Act, to my mind, is the most antiquated piece of legislation on the Statute Book of India ; it is as out of date as the Regulation under which Mahatma Gandhi was arrested and incarcerated during the first civil disobedience movement. That it is inadequate for the purpose may be seen from the fact that when Act attempts to prescribe and regulate the form in which accounts of joint stock companies should be presented, what you find is that the Act has made it possible for the management of joint stock companies to conceal rather than reveal facts relating to their business. It is my business from day to day to discuss with people,—I will not say advise,—the affairs of joint stock companies in India, and I have come across numerous people, highly educated people, some of whom are managing agents who have failed to appreciate all the implications of the numerous items appearing on both sides of the balance sheet of a joint stock company. The ingenuity which has been displayed by the parties in preparing balance sheets of joint stock companies is something which really merits our admiration. It would really merit our admiration but for the object and purpose for which such ingenuity has been exercised. I believe that the failures of joint stock companies in India would have been greatly checked if the growing abuses, the growing weaknesses in the working of joint stock companies had been given publicity in right time by the preparation of accounts in such forms as would have prevented the management of joint stock companies from hiding from the public the real state of affairs in these companies. The evidence which was adduced before the Banking Inquiry Committees, Provincial and Central, a few years ago, also went to show how several banks in India continued to delude and mislead the Indian public by representing a state of affairs which never existed in the case of those banks. I believe therefore there is an imperative necessity for the prescription of an amplified form of accounts in the case of joint stock companies.

Though there are numerous things to which I could profitably advert in moving this Resolution, I will content myself with referring only to one more, and that is to the central subject affecting the joint

stock companies namely, management. The Cotton Textile Tariff Board whose report has been recently published, has devoted one chapter to the management of the cotton textile industry in India. This Tariff Board had perhaps the unique opportunity of having before it for the first time, I think, in all the Tariff Board inquiries of considering specific cases of how powers under the Indian Co's Act are being abused by the management of joint stock companies in this country. As a result of this evidence the Tariff Board has made some important statements in their report to some of which I should like to invite your attention. The Tariff Board pointed out and very rightly too, that the managing agent today occupies the central position in the running of industrial enterprises in this country, and whilst it is a fundamental fact in these joint stock enterprises the Indian companies Act does not mention the managing agent throughout all its provisions. This is a glaring defect I am sure, while the managing agent occupies the central position in the running of industrial companies in India, this defect is sufficient to justify the demand for the amendment of the Companies Act. But that is not all. The more important thing is this, that the managing agent who wields the destiny of industrial India is the party whose action requires to be regulated in the light of the experience we have obtained from the working of Joint Stock companies in this country. As the Tariff Board rightly recognised, for a number of years restraints and certain specific standards of management have been voluntarily placed. It has now been found that these voluntary restraints have been giving way to justify the demand for special regulation. I cannot describe this phenomenon better than by quoting the words of the Tariff Board itself. This is what the Board say :—

> "Voluntary restraints and standards of conduct among Managing Agents which did duty for statutory control are giving way. These circumstances clearly point to the necessity for bringing the system of managing agents under scrutiny with a view to such amendment of the company law as may be required."

I don't think it will be questioned even by those who are stout advocates of the managing agency system in India that the system is associated with a number of abuses and if industrial enterprise is to be regulated on healthy lines, the law should make such abuses as far as possible impossible. What I mean is this. Whereas even under the present law certain actions of the managing agents escape

legal notice, though such action may be difficult to justify on any ethical grounds, the time has come when the industrial future of India cannot be allowed to be jeopardised by allowing the managing agents a free hand to take advantage of the numerous loopholes provided by the present state of law. It is very difficult to speak on a question like this without referring to specific cases, but I am going to avoid that temptation of placing before you specific instances of actions of managing agents which on ethical grounds stand condemned in any society, though even under the present dispensation such actions entirely escape the attention of law. My ground for claiming an immediate amendment of the Indian Co's Act is the very sad and tragic experience. Bombay reccently had through the failure of a group of companies. The failure of these companies has tragically reminded us of the fact that unless Government now institute an immediate and early inquiry into the directions in which company Act requires amendment, I think industrial enterprise in India in the coming future will suffer a very great set back. We have heard this session a lot of talk on economic planning in this country. Suggestions have been made by you Mr. President, very valuable suggestions, as to how India could be industrialised further. Very important and valuable contribution was made by our friend Mr. Birla this afternoon, but I am convinced that all your economic planning will be entirely barren unless you provide side by side specifically and definitely for the regulation of industrial enterprise in this country. Days have gone by when ideas of *laissez fairie* could be allowed to control the situation. I am prepared to concede that it is possible for people to take the view that so long as we inform the public of certain conditions on which we are prepared to run industries, it is the business of the people who buy our shares to see whether their rights are well guarded or not. But I say the greater needs of the country, the wider requirements of public policy, the demand for the industrial betterment of this country, all combine in requiring the law to step in to maintain certain standards of conduct to see that industrial enterprises in India are run, of course, firstly, for the benefit of the people who stake their money in such enterprises, but at the same time are on lines which do not make it possible for a select few people to dominate and defraud the general public of the country.

Mr. Bagaria: When Mr. Birla was speaking Mr. Shroff said that there was a time limit. I hope that Mr. Shroff will keep that in view now.

Mr. Shroff: I keenly appreciate that interruption, Mr. President, and with these words I commend this resolution to the acceptance of the House. (Applause).

Mr. Kasturbhai Lalbhai (Ahmedabad Mill-Owners Association): Mr. President and gentlemen, I beg to support the resolution moved by my Honourable friend Mr. Shroff. The resolution which has been moved only demands of the Government that a committee be appointed to enquire into the working of the Indian Companies Act and make suitable recommendations to alter it as the needs of the time may demand. My reasons for supporting this resolution will not be identically the same as those of Mr. Shroff. We may have differences as to the working of the industrial concerns in this country, but that does not mean or does not take away the necessity of revising the Indian Companies Act as has been pointed out by Mr. Shroff. It has become very old, it needs revision in many respects and therefore it is that we make this demand of the Government that it may take up this question very early and appoint a committee to suggest suitable amendments and carry them out. That is all I have got to say in seconding this resolution.

Mr. H. P. Bagaria (East India Jute Association, Calcutta): I have great pleasure in supporting the resolution moved by my Honourable friend Mr. Shroff. Mr. Shroff in recommending this resolution to you has talked about misuse or abuse of the trust vested in the managing agents, but I say that whatever rules or whatever regulations you may prescribe for the conduct of managing agents, unless the shareholders themselves exercise proper care, it is impossible to check the abuses. When we entrust public money in the hands of third persons there is bound to be some abuse. In Europe and America there is no managing agency system, but still there have been colossal scandals like the Kruger and Stavisky scandals which are still fresh in our memory. The apathy, the lamentable lack of interest which the shareholders display in their affairs make me wonder that there has been so little abuse and not much more than what has taken place. In many companies managing agents who hold only 3 per cent of the shares are able to appoint all the managing directors, and the shareholders rest content with the dividends that are declared from time to time and beyond that they do not take any interest. One of the directions in which I want reform

is, under the present law the minority has no voice, 51 per cent. can crush the 49 per cent. What I want is proportional representation for the shareholders, because now if a few shareholders want to take interest it is impossible for them unless they have got a majority. But I do not mean to say that the minority should be able to rule over the majority, but the minority should feel that their interests are not unheeded. If I hold 60 per cent of the shares, by all means let me have the right of appointing 6 directors out of ten, but if some one else holds 40 per cent. let him also have the right of appointing 4 directors. The majority will make decisions no doubt, but the minority will have their representatives there to see that their interests are not ignored. I hope, gentlemen, you will pass this resolution.

Mr. J. J. Kapadia (Native Share & Stock Brokers Association, Bombay): Mr. President, and gentlemen, at the outset I desire to express my grateful thanks to you for giving me an opportunity to speak on this resolution. My task has been considerably lightened by the fact that so prominent a millowner as Mr. Kasturbhai Lalbhai has seconded this resolution. And I am in still better company when I find that an eminent businessman occupying a very high position in public life—a man of the type of Sir Purshotamdas Thakurdas—three years ago exclaimed in this very hall that "The Indian Companies Act is bad enough ; there is a lot to be uprooted and a lot to be re-planted". These words of Sir Purshotamdas constitute in my opinion the best support for this resolution. If I had time and if I were permitted by the House to place before the House the numerous concrete instances in which malpractices have been resorted to by the management of Indian concerns, I would only be too glad to lay those instances before the House, but I do not think that it is necessary to do so.

In my opinion the most important part of the resolution is the one which demands an enquiry at the hands of a committee before the actual revision of the Act is undertaken. In this connection there is a little history which I should like to relate to you. It was in the year 1929, in answer to an interpellation from a member of the Legislative Assembly that Sir George Rainy, the then Commerce Member, informed the Legislative Assembly that the Government were considering the question of revising the Indian Companies Act, but that in their opinion some preliminary investigation was necessary, and that what they were occupied with then was the form in

which that investigation should be undertaken. Nothing was done for three years, and as recently as September 1932, in reply to a question, I believe, from my friend Mr. B. Das, Sir C. P. Ramaswami Aiyar gave an answer which was tantamount to a change of front. The Acting Commerce Member informed the Assembly that the whole question had been reviewed again and that the Government of India had come to the conclusion that the revision of the Act should not be undertaken before the reforms were in working. I submit the answer of Sir C. P. Ramaswami Aiyar was tantamount to a change of front. Then, Sir, came the report of the Tariff Board on cotton textile industry ; on the materials which were placed before the Tariff Board, the Board pointed out that a revision—a very radical revision—of the Indian Companies Act in the interests of the healthy development of Indian industries was most imperative and recommended the appointment of a representative Committee to inquire into the necessity for amending the Company law. Contrary to accepted practice in connection with Tariff Board reports, Sir Joseph Bhore who introduced the Textile Protection Bill in the Assembly did not say a single word in the Bill with regard to that important recommendation of the Tariff Board. Telegrams were sent to members of the Assembly with a view to bring out what the policy of the Government of India in the matter was as it was felt that the Government of India were trying to shirk their duty. Ultimately in winding up the debate on the Finance Bill Sir George Schuster was reported to have said that the amendment of the Companies Act had been undertaken. It was very laconic report ; one failed to follow it. Then came a telegram from the correspondent of the Times of India two days after, an obviously inspired telegram, to the effect that the newspapers who reported that particular extract from the speech of the Finance Member were not correctly informed, and that what the Finance Member said was this, namely, that although at an earlier stage he had decided not to make any financial allocation for an enquiry, yet owing to the pressure exercised upon him by several members in the Assembly he had now decided to make an allocation for an enquiry. I was very much amused at the way in which news was being given out stage by stage. There was no harm in Government making a straightforward declaration as to what they wanted to do in regard to this very important recommendation of the Tariff Board. I do feel that the Government of India are not yet prepared to institute a public enquiry and that is the reason why I consider

that the last part of the resolution is the most important. It is very likely that the Government of India might argue that inasmuch as the English Companies Act has already been amended, all that the Government of India can do is to copy out the amendments from that Act and give them legal effect. If that is going to be the attitude of the Government of India, I for one am going to protest against it most strongly.

I would point out to the Government of India that the English Companies Act was not adequately revised, and in this connection it will interest the House to note that the English Companies Act was revised when the Conservative Government was in power. I have gone through the debates in both Houses of Parliament; I have gone through the debates in Standing Committee B which occupied 20 days, I have gone through the report of the enquiry before the Green Committee, the departmental committee appointed by the Board of Trade in connection with the revision of the English Companies Act, and the impression that is left on my mind is that the Conservative Government carried through the Companies Bill at the altar of party considerations. Will you believe that, although nearly 130 amendments were moved by the representatives of the Labour Party, not a single amendment or motion was carried because the Conservative Party was in power? Will you believe that, although as many as 43 divisions were claimed, not a single division was carried? And who were the members of the Labour Party? Men like Col. Wedgwood, men like Mr. Alexander, who subsequently held very high offices in the Labour Government. And what were the consequences? Immediately after that Act was put into operation, came the Hatry crash, came the crash of the Herman group of companies and came the disclosures relating to new issues of 1928/1929. I forgot to mention one thing, *viz.* the Klysant crash. The disclosures which have been made, if they show one thing, they show that the Labour Party whose representatives moved so many amendments in Standing Committee B were quite right in moving those amendments. The whole press in England, including the press which sided with the Conservative Government came down with big articles condemning the newly passed English Companies Act. To illustrate my point, I will read out to you a short extract from the *Accountant* which is a very well-known paper in England and is the organ of the Institute of Chartered Accountants. That paper in its issue of 19th

October 1929, after dealing with some provisions of the English Companies Act says in a leading article:

> "All these provisions are excellent so far as they go but it is a legitimate criticism that they do not go far enough. The more considerable measure of directorial responsibility is largely nullified by the reservation that acts of omission or commission must be shown to have been knowingly and wilfully committed or permitted. This reservation represents an almost perfect defence both in civil and criminal actions in the case of directors who entrust most of the administration of company's affairs in the hands of a minority of their colleagues, and whose interest in their functions is mainly confined to the drawing of fees or other remuneration."

So great was the hue and cry raised against the inadequate nature of the new English Companies Act that so important a body as the Association of British Chambers of Commerce who are not supposed to support constant revisions of Companies Acts appointed a special committee which after considering the disclosures in the cases to which I have just now made reference made a lengthy report pointing out to the Government the various additional directions in which a revision of the English Act had become imperative. The Committee's report has been published in the *Accountant* of 2nd September 1933. The force of public opinion compelled the President of the Board of Trade to give an audience to the representatives of the Association and I find from this very paper dated the 2nd December 1933 that the representatives of the Association waited upon the President who agreed to consider the report made by the committee of the Association. It is significant that one of the members of the deputation, I believe, called Sir James Mantin who was a member of the Green Committee which had made a report on the amendment of the English Companies Act and who was a member of that Committee had declined to give effect to certain suggestions went so far as to support most heartily the representations made.

Well, Sir, I have made reference to these facts because I do feel that the Government of India are always accustomed to copy out British methods and it is for that reason that I have made pointed references to the events that have happened after the English Companies Act came into operation. Dealing with our domestic affairs, there is one particular reason why an inquiry should be held and that is the managing agency system. In England there is no such system in existence and I maintain that even if the Government of

India were to follow the English Companies Act the existence of the managing agency system with all the abuses to which this system has led is so picturesquely described by the Tariff Board making it obligatory on the Government of India to appoint a committee for the purpose of conducting an investigation. I will tell you why? Before the Tariff Board we gave evidence. We had concrete instances of malpractices ruling in certain companies. We could not give out these instances openly because the concerns were going concerns and we were obliged to submit a confidential note. If the Government of India is going to amend the Act departmentally, the evidence which the public has in its possession will be practically shut out and you know how difficult it is to have a Bill radically altered once it is introduced in the Assembly.

So far as the managing agency system is concerned, I will not take much of the time of the House but would point out some of the various directions in which a revision of the law has become necessary. The managing agency agreements are to all intents and purposes perpetual. The Tariff Board has pointed that out in their report. It is stated that Mr. X is appointed managing agent for 31 years but this by itself is very deceptive. The other condition that is usually inserted is that he Mr. X shall not be removed unless a special meeting is convened of which six months notice is given in writing and unless at that meeting so many persons representing so much of the capital are present. It is impossible to remove the managing agent under such conditions and one of the questions which the inquiry committee will have to consider is how far such stipulations ought to be legally allowed. Then there is the question of the commission. We know that many of our managing agents are charging commission on production or sales and I ask whether the time has not come when the Indian mercantile community would be entitled to ask the inquiry committee whether it is right that any managing agent in this country should be allowed to charge his commission on production or sale. I submit at a time when most of our industries are being protected at the cost of the taxpayers, charging a commission on production or sale is nothing but an excise duty on the profits of the companies concerned. I will go to the next point. The point is: what are the powers of the directors vis a vis the managing agents and what are the powers of the shareholders vis a vis the directors? I have before me a synopsis made out from the

articles of association of certain new companies—I hope my friend Mr. Kasturbhai will excuse me if I say that all these companies have been registered in Ahmedabad—and the articles of association show that the directors are to do only such acts as are not to be done by the managing agents. I need not read out the articles themselves because I know I am not going to be contradicted on that point. Mind you, the article is to the effect that the management of the company is vested in the directors of the company who are to do all acts and exercise all powers as are not entrusted to the managing agents; if you go over to the other clause which enunciates the powers of the managing agents you will find that the managing agents are authorised to do everything under the Sun. The result is that the directors who were supposed to be the chosen representatives of the shareholders and who were supposed to protect the rights and interests of the shareholders have been reduced to a position of nonentity. The directors are helpless. The managing agents would say "here are the articles ; this particular act has to be done by us ; there is no appeal from our act." Mr. Bagaria said that shareholders are not taking interest. I will ask him how is it possible for the shareholders and how is it possible for their chosen representatives to take any interest in the affairs of a company when from the very beginning the companies' articles contain such pernicious clauses. It is no use erecting a barrier across the path and then to say : Oh ! You are unable to cross the path ! That is what it comes to.

Mr. Walchand Hirachand : I think the Resolution before the House relates to the Indian Companies Act.

Mr. J. J. Kapadia : I am very sorry. I marvel at my friend Mr. Walchand's interruption. The Resolution before the House is the amendment of the Indian Companies Act, the desirability of having it amended and the desirability of having a committee appointed for that purpose and if Mr. Walchand has not been able to understand the Resolution so far, I will make him understand it in a minute. (Looking at the Chairman who seemed to apprehend heat in the discussion, Mr. Kapadia said) Sir, I am not going to introduce any heat in this discussion. I am always very cool and level headed. I say if there is one reason more than another which has made necessary a thorough revision of the Indian Companies Act it is the wretched system of holding and subsidiary companies to which Mr. Walchand has been wedded.

President : I think you should not bring in personalities.

Mr. Kapadia : I am answering Mr. Walchand. He has provoked me. However I shall not pursue that point. I was speaking of the powers of the directors and the point directly arises on the memorandum and articles of association of a joint stock company under which Directors have power to establish subsidiaries.

Mr. Dahanukar : On a point of order. The resolution before us is the amendment of the Companies Act.

President : Mr. Kapadia is quite in order.

Mr. Kapadia : Thank you, Sir, the system of holding and subsidiary companies has lent itself to gross abuse so much so that President Roosevelt in his programme had to say that it was going to be one of his main planks in the recovery programme. A reference to Chapter XIV of President Roosevelt's book 'Looking Forward' will show that that is so. I need not say more on that subject. If we have a committee, I will be in a position to lay before the committee certain aspects of the matter pertaining to the system of holding and subsidiary companies which I am quite sure the committee will have to recognise. Now, Sir, I revert to this directorial responsibility. It is said 'Oh, you choose your directors'. A very pertinent reply to that point has been given by the Tariff Board. The Tariff Board says

> "It is not a sufficient answer to this criticism that shareholders have the right of appointing the directors. Allowing for the number of directors nominated by the managing agents and of special and debenture directors and also for the fact that only a limited number of vacancies occur in each year, the extent to which the shareholder can actually exercise this right is restricted, particularly in view of the short period generally allowed for nominations to vacancies in the directorate."

President : Will you bring your remarks to a close ?

Mr. Kapadia : I have no desire to detain the House. The House has been very indulgent to me and I do not want to abuse that indulgence. I will only say one thing. If the Federation has to its heart the good of Indian industries, it is its duty to give its wholehearted support to this Resolution.

Mr. S. H. Lulla (Karachi Indian Merchants Association) : On behalf of the Indian commercial community of Karachi I associate

myself with the demand contained in the Resolution before the House for the amendment of the Indian Companies Act. The necessity for the amendment of the Act is conceded from all corners. The Government cannot long withhold the revision and amendment of this Act. The matter of Companies Act is rather peculiar, inasmuch as, the Companies are the creatures of a statute and therefore the public have a right to demand that the rights and obligations of and relating to the companies of which they are the creatures and beyond which they cannot travel, must be expressly provided in the statute itself. It is conceded that the Indian Companies Act as it exists to-day does not make adequate response to that test. The Indian Companies Act of 1913 was based upon the English Companies Act of 1908. Five years after that the Indian Legislature found it necessary to alter the law in India and base it upon the English Companies Act of 1908. That Act of 1908 was found to be so defective in England and so many amendments were made and so many alterations were found necessary that in the year 1929 the British Parliament thought it necessary to repeal the English Companies Act of 1908 and we to-day have in England the English Companies Act of 1929 which is an amending and consolidating Act there. That argument in itself I think is sufficient to urge that the Government of India cannot withhold for long the overhauling of the Indian Companies Act. The model on which our Act was based is gone and therefore it is necessary that the Indian Companies Act of 1913 also must go and a new one which must correspond to the needs of the country must replace it. If that demand is conceded, what further do we want ? We want that the new Indian Companies Act must not base itself wholly upon the English precedent. In England you have no such thing as the managing agent. In England every company has a secretary, a manager, a managing director but in India, in practice, you have a managing agent exercising the powers of each one of these. (Mr. Sodhbans : But who introduced the system ?) I will answer that question—"who introduced that system"? Self-interested persons invited the people to part with their money and trust to their management and trusteeship. The question as to whether it is the Britisher that introduced the system or it is the Indian who has adopted the system and exploits it is a matter wholly foreign to the present inquiry. The present point is that the managing agency system be it British or Indian is exploiting the country and so long as the present system continues, the investor living far away from the places where the

headquarters of the companies are situated must feel shy and is therefore not prepared to trust the managing agents. Of course he has no power to end the system under which the company has been brought into existence as my friend Mr. Bagaria would seem to suggest. Sir, the present question before the House is that the Indian Companies Act muct be amended. We are all unanimous in that demand. There seems to be some controversy from different quarters as to whether the managing agency system should be ended or it should be mended or it should be left untouched as some may demand it. That is a matter which, as my friend Mr. Kapadia said, should be investigated further by a committee of responsible persons and I have no doubt that the general demand of the investor, apart from the interested demand of individuals or of companies or of firms will be that if this institution of managing agency is not to be ended, it must be materially mended. But whatever course is to be adopted, that must be investigated by the Government, in the discharge of the duty that it owes to the public at large; it must publicly face this question and find out the truth as to what the real demand and what the real position is, so as to enable the companies to grow, and so as to induce the people to part with their money for the development and the fostering of industries through companies under the Indian Companies Act. With these words I recommend this resolution generally to your acceptance. (Applause).

Mr. Walchand Hirachand (Maharashtra Chamber of Commerce, Bombay) : On a point of information, before you put the resolution, I would like to know what it is that we are asked to support. My friend the mover moved the resolution on particular grounds and the seconder said that he was seconding the resolution not on those grounds but on some other grounds. Therefore before the question is put I would like to know what it is we are going to vote upon. The seconder's grounds obviously differ from the mover's grounds. For instance, I do not know what the mover or the seconder has to say as regards Mr. Kapadia's or Mr. Lulla's grounds before the question is put to the vote. I suggest it should be clearly laid down, particularly by the seconder, if he agrees with the grounds subsequently advanced or what he has to say about these remarks which have been made.

Mr. Lulla : May I ask whether any individual member has any right to ask the seconder to make clear what it was that the seconder

was supporting. The seconder surely is as competent a person as the person who interrogated him and we have no doubt he quite understood what the resolution meant.

President: The seconder has already seconded the resolution and it is clear that he supports the resolution.

A member: Sir, is there any amendment before the House?

*Mr. Manu Subedar (Indian Merchants' Chamber, Bombay): Sir, with your permission I should like to make a few remarks. I am sorry that the untimely interruption of my friend Mr. Walchand Hirachand and his ignorance of all public procedure has impelled me to address a few words to this meeting on this subject. Now with regard to Mr. Walchand's first point—what is this assembly passing to-day? The resolution is clear, it was circulated, it is before everybody, and if Mr. Walchand has misled the agenda paper, I submit that as a matter of pity we ought to supply him with another set. With regard to the expression of opinions of people who spoke on a particular resolution, Sir, we had the sugar resolution yesterday and with all deference I will say that while agreeing with the bulk of what Lala Sri Ram said, I must say that individual statements by several other speakers were statements to which one might not agree. Who agrees with anybody else in this world cent per cent on every statement that is made? On every resolution a speaker expresses his own views in support of the general matter contained in the resolution. Mr. Kasturbhai Lalbhai, one of the most prominent businessmen in India and a conservative man, has accorded his wholehearted support to this resolution. He is a conservative but being a conservative man—I think Mr. Walchand must note that—even to him it is obvious that certain changes have become overdue and should be brought about. Mr. Kapadia quoted no less a man than Sir Purshotamdas Thakurdas, an upholder of the system right up to the last moment, and yet even he has been able to acknowledge that there are a few things to be uprooted and a few things to be replanted. Now we believe that the thing to be uprooted is the managing agency system (Laughter). But Mr. Walchand is not content with it. In that case my friend Mr. Kapadia referred to another scheme of things which also has been, led to abuse in the administration of companies in India, namely the subsidiary company

* Speech not corrected

holding schemes. Mr, Bagaria in a philosophic mood said : "but it exists everywhere". Now if abuses exist everywhere and if they are not to be removed, let us sit quiet, and let us not ask for any amendment to any law and go back to the system of the laws of Manu (I do not refer to myself—Laughter) and be content. But, Sir, the economic evolution in the world brings about new changes with which it is not possible for business to cope and the complications arising in this class of business particularly after experience gained shows that the business structure should be as sound as the material of which the business is made. Both the materials as well as the plan and the structure must be sound for stability to be secured. While we are all anxious for the economic development of this country, it is most important that any special vested interests which are deliberately blind to the issues that have arisen—and we have had disclosed to us the results of the present system—should not be allowed to go unchecked and we cannot but accord our full support to the very mild resolution which has been put before this Federation and which I recommend to you for your acceptance.

Mr. Kasturbhai Lalbhai : On a point of personal explanation, I may say that I made it clear when I supported this resolution that it may not be on the same grounds as had been advanced by my friend Mr. Shroff and the discussion that has taken place has amply made that clear. Even Mr. Subedar has been kind enough to state very clearly that though we may differ amongst ourselves as to the reasons for which we all want this change, I do not suppose that there is any difference of opinion in this House that the Indian Companies Act as it stands to-day on the statute book requires to be modified further or revised and in voicing this resolution I do not suppose that anyone of us will be giving out any secrets or opinions that we may be holding on a particular matter because we merely give adherence to the demand that what is required of the Government is that they may appoint a committee to investigate the whole matter and revise the Act as may be found necessary. That is the only principle to which all of us will be committed by passing this resolution. I do not suppose that thereby any of us will be committing himself to the various views that have been expressed in this House. They are all personal expressions of opinion but the one thing that we are agreed upon is that we want the revision of the Indian Companies Act. As we have passed so many resolutions unanimously, we shall

also I hope be able to pass this resolution in the best of spirits and unanimously. (Loud Applause).

President : Before I put the resolution certain facts required to be brought out. It has been said with regard to Indian Company's Act that there is a lot of uprooting and a lot of replanting that has to be done, but so far as the managing agency system is concerned my friend, Sir Purshotamdas Thakurdas has said that he would rather mend it and not end it. It is for the committee to consider whether the managing agency system should be amended or should be ended. That is the whole point.

So far as the voting is concerned, my position has been lightened by Mr. Subedar. We are taking views on the wording of the resolution and not on the arguments advanced by the different speakers.

The resolution was passed unanimously.

At the request of Mr. G. L. Mehta and with the consent of the House, the President moved the following resolution from the Chair :

ADMINISTRATION OF MAJOR PORTS IN INDIA

A. "The Federation views with grave concern the continuous deterioration in the financial position of the major Ports of India resulting in some cases in the levy of increased charges and also the increased diversion of traffic from some of these Ports to other centres either through the location of new major ports or greater economic facilities granted to the trades elsewhere and therefore, urges upon the Government of India to immediately institute a thorough and impartial enquiry into the financial and other affairs of the major Ports of India to suggest remedial measures in respect thereof.

B. "The Federation deplores the inadequate representation of Indian commercial and industrial interests on the Port Trusts as also the extremely slow progress of indianisation in their superior services and urges the Government to make necessary amendments in the constitution of these bodies with a view to securing effective representation and control to Indian interests."

Mr. Hoshang N. E. Dinshaw (Buyers and Shippers Chamber, Karachi) : With your permission I want to say only a few words because the point I am going to raise affects our port of Karachi very badly. The Railway Board now want to perpetuate a system whereby they want to prove that all rail route is cheaper than rail cum sea route by adjusting their freights and thus they make it possible for

stuff to be carried all the way down from the north to Madras without coming to Karachi and that is directly hitting our revenue. We in Karachi have got absolutely no industry and even the infant industries that we have got are trying to develop and the only activity we have is the port activity. In this we are badly hit for want of revenue. The Port Trust has spent a lot of money and only recently they completed five berths on the west wharfs. If the present policy of the Railway Board is to continue, we shall be starved out of existence altogether. I therefore suggest that the Federation should write to the Railway Board and explain to them how a change in their policy is necessary so that our port may not be starved. There are also a few other industries like the coconut oil industry about which I mentioned to you that I must be given an opportunity to speak and you kindly promised that I could speak at the end.

President : We have decided in the Executive Committee that we should send a memorandum to the Government of India to set right your grievances.

Mr. Hoshang N. E. Dinshaw : I am thankful to you for that.

The Resolution was then adopted unanimously.

President : We come to Item no. 4 : Election of Office-Bearers for 1934.*

The President has been elected uncontested—Mr. Kasturbhai Lalbhai (Applause); and the same is the case with the election of Hony. Treasurers : Mr. D. P. Khaitan and Sir Hari Shankar Paul ; the names of the first twelve successful candidates as the result of the election are :

1.	Mr. Nalini Ranjan Sarker	72 Votes.
2.	Lala Shri Ram	70 ,,
3.	Mr. G. D. Birla	67 ,,
4.	Sir Purshotamdas Thakurdas, Kt.	59 ,,
5.	Mr. Walchand Hirachand	58 ,,
6.	Raj Ratna Seth Chimanlal Girdharlal	54 ,,
7.	Seth Mathuradas Vissanji	53 ,,
8.	Rao Bahadur Shivrattan G. Mohatta	50 ,,
9.	Mr. A. D. Shroff	49 ,,
10.	Mr. P. S. Sodhbans	46 ,,

* Full list of Office-Bearers is printed as Appendix "B"

11. Lala Padampat Singhania .. .. 44 Votes.
12. Mr. Vidya Sagar Pandya, M.L.A. .. 42 „

President: The next item is item No. 5.

Lala Amir Chand Kosla (Delhi Hindustani Mercantile Association): I want to make a few remarks. Yesterday you decided that no amendment could be moved in this House to any resolution. In the circular letter sent to the associated bodies there are no remarks to the effect that the associated bodies are to send in amendments. Going through the bye-laws I find no definite bye-law prohibiting Members from moving any amendment in the open House. I want to know under what rule you ruled out amendments yesterday from being moved in the open House.

President: When the Committee was considering certain bye-laws it appeared to some of the members of the Committee that there should be put certain restrictions on what kind of member bodies should be affiliated to the Federation. Some members felt that there should not be any restriction; so the Executive Committee decided that these facts should be put before the Federation for discussion. In the meantime I sent a circular to all the member-bodies to which I think we received replies only from 20 bodies. We have not yet received replies from other bodies and I therefore want the permission of the House to withdraw this item from the agenda this year so that it may be put in the usual course when we consider the changes in the constitution next year. The Executive Committee have not yet been able to complete their labours but will put this matter before the next annual meeting of the Federation. The members will not be prejudiced by the postponement of this item to next year.

Mr. Kapadia: I want to make a few observations. There is nothing in the constitution which lays down that unless a prior notice of an amendment is given it could not be moved however germane or relevant that amendment may be to the subject matter under discussion. Last year we had a lot of discussion on this point. Last year Mr. Sidhwa and Sir Purshotamdas Thakurdas moved certain amendments in the open House.

President: But they were done with the permission of the House.

Mr. Kapadia: The matter is rather serious. Are we to take it that no amendment could be moved to a Resolution however germane and relevant it may be if prior notice is not given. I have gone through the constitution carefully and there is nothing in the constitution which empowers the Chair to reject the amendments unless prior notice is given. I notice you stated to Mr. Sidhwa that letters were sent by the Secretary asking the member-bodies to send in their suggestions. I have that letter before me and I have carefully gone through the terms of that letter and it invited the member-bodies to send in their suggestions in order that the Executive Committee on the eve of the session may be in a position to consider all the suggestions made and put them into shape. That does not mean that notice of an amendment should be given. It may be that it is very reasonable that member-bodies in order to save the time of the House should try their best to send in amendments beforehand. I agree with you entirely on the point. If for any reason regular notice of amendment has not been given, I submit that so far as the constitution stands at present, amendment must be allowed by the Chair provided it is relevant and germane to the Resolution under discussion.

President: This will be considered by the Executive Committee in framing the future rules. I did not allow amendments because it is our convention that amendments must come from the member-bodies.

Mr. Srikishendas H. Lulla: The constitution should be brought in conformity with the convention or the convention changed in accordance with the constitution.

President: That is being done and Mr. Shroff is on the committee.

Mr. Manu Subedar: This question of allowing amendments does not seem to be in general accord with the principles followed in other institutions.

President: There is some difference between this institution and other institutions. This is a Federation of the Chambers of Commerce.

Pandit Santanam: I wish to bring one point to your notice that last year the same question arose. A certain amendment was

moved and the question was whether that amendment would be in order. I wish to draw your attention to the fact that the bye-laws do not provide anywhere that amendments can be given notice of only by member-bodies constituting the Federation and that members who are representatives of those bodies are mere delegates and voice the opinion of the respective Chambers expressed by resolutions in that chamber and they have no right to give expression to any individual opinion that they might hold. There being no bye-law asking for previous notice of amendments, I think it will be taking away a valuable right of a representative attending this Federation if he is not allowed to move an amendment to a Resolution.

President : The Committee have not finished their labours and at the next session all these points re : change of rules will be put before the Annual Meeting for its sanction. I hope there will be no difficulty in future.

Mr. Ganga Singh : May I ask, Sir, for my personal information and for the guidance of the House in future what procedure or system you have in calling upon members to propose resolutions ?

President : The speakers are settled by the Executive Committee from the names received from member-bodies and according to that those whose names stand against the resolutions are called upon to move the resolutions.

Mr. Ganga Singh : Does not that prejudice the claims of the members of this House ?

President : Not at all. We issue notice to the member-bodies and ask them for names of those who will speak on the resolutions.

With the permission of the House, the consideration of the Item No. 5 on the Agenda was deferred to the next Annual Session.

Mr. J. L. Pandit (East India Jute Association, Calcutta) : Sir, I wish to draw the attention of the committee to a very important matter which has a very close bearing on the discussions in this House. We have passed a resolution about the sugar excise duty, also about income-tax, also about the Tariff Board inquiries and all that which are very closely connected with the budgetary policy of the Government of India. And we have done that just as soon after as the budget had been finally voted by the Assembly. I suggest that our discussions should take place in the interval when the budget proposals of the Finance Member are made known to the

public and before they are voted by the Assembly. In that way our discussions will be able to influence the decisions of the Government of India and the Finance Member ; and if it had been done this year the Finance Member would not have been able to talk with his tongue in his cheek in the manner he has done with regard to the sugar excise duty. It may happen that next year they might double the excise duty and after that the Federation will again come and cry in the wilderness and they will say that since the Federation made their opinion known to us circumstances have changed and we have levied this duty again and it will be left to the Federation to pass another Resolution again and to wait for another year. So I hope it will receive your attention. I am of course not having the present rump of the Assembly in my mind when I make these suggestions, but I am thinking of the future when we are going to have real representatives of the people in the Assembly, and we must put our views before the budget is passed.

President : Your suggestion has been taken down and will be duly considered.

Mr. R. K. Sidhwa : Sir, with your permission and pleasure I wish to suggest one thing. The Karachi Indian Merchants' Association sent in a resolution to you in connection with the Sind Bombay railway and that was not included in the agenda. This resolution has been supported at every Federation meeting and this year it is very necessary to pass it because the Railway Board are seriously considering the grounds for and against it. So I desire that this Resolution should be allowed to be moved from the Chair and passed.

Mr. Kasturbhai Lalbhai : May I just say a word ? Mr. Sidhwa knows very well that this proposition is under the consideration of the Government of India. As a matter of fact at the Lunch to-day given by our friend Lala Sri Ram, the Financial Commissioner Mr. P. R. Rau was present. I had a talk with him and he told me that the investigation has been undertaken and until the Government of India are definitely satisfied that until that scheme will bring them a return of 5 or 5½ per cent or whatever it is, they will not undertake it. But they are very seriously considering the proposal. They ordered out Diesel engines which are going to be tried first in Baluchistan and if these Diesel engines prove successful then and then alone this proposition will be considered. Until then no purpose will be served by our Federation passing omnibus resolutions

year in and year out. As a matter of fact the importance of that railway is before the members of the Executive Committee and whenever an opportunity arises they will certainly take it up with the Government of India members who are the only people who can move in the matter or who can be moved in the matter and the railway brought about.

Mr. R. K. Sidhwa : Sir, I desire that this matter should be really taken up by the Federation in this House for the simple reason that official information has been conveyed to us by the Chairman of the Railway Advisory Committee in that committee that investigations had been completed and the report of that special officer who was deputed has been sent to the Railway Board.

President : For your information I may say that the Executive Committee have decided to send a memorandum on this resolution to the Government. Will that satisfy you or do you want to move the resolution ?

Mr. H. N. E. Dinshaw : It will have greater force if this goes from this House.

Lala Sri Ram : I only want to say this that when we send our resolutions to Government we simply forward them without any reasons while in the case of memoranda or letters they go from the Executive Committee with well reasoned arguments. So I think the purpose will be better served if the Executive Committee writes a well reasoned letter to the Railway Board. I may tell you that your future President is himself personally interested in it to no small extent. And as a member of the Executive Committee I can assure the members from Sindh that the Committee is fully alive to the importance of this resolution, and the interests of that particular section are not being ignored. I do not think a good precedent will be created if we propose a resolution like this in the House and I would therefore appeal to my friend Mr. Sidhwa not to press it, particularly when I am assuring him that the Committee is very sympathetic and is doing all that it can.

Mr. R. K. Sidhwa : In view of the explanation given by my friend Lala Sri Ram, I accept his suggestion and I do feel that the Executive Committee's representation will certainly carry more

weight. I have only to draw the attention of the Executive Committee to the fact that the report of that official is favourable but some influences are working to see that this scheme should not be considered. Therefore it should be expedited as much as possible.

Mr. S. Bagchi (Indian Insurance Institute, Calcutta): Sir, I would request you to give me one minute to say a few words by way of appeal.

President: Yes, only one minute.

Mr. S. Bagchi: As a Representative of the Indian Insurance Institute I take it as my duty to tell you that indigenous Insurance has been labouring under a severe handicap. I am a field worker myself, and that is why I have personal knowledge of the difficulties that now attach to Indian Insurance. The Resolutions that had been sent in formed but a part of those difficulties, and if they were shelved by the Executive Committee as useless or unimportant, all that I beg to say is this that this Federation wants to put a positive barrier to the economic growth of our Mother-country. If the Executive Committee had rejected them for having discussed them in the past, then I should say that a truth can be oft times repeated and does not wear out by repetitions. Gentlemen, in this august assembly, I have the unique good fortune of facing the choicest of India's business brains and I appeal to you not to forget for a moment in future the cause of indigenous Insurance, the only way that can lead this good old country of ours to perpetual peace and prosperity.

President: I may mention that we passed a resolution even while Sir George Rainy was here. So far as the Executive Committee is concerned at least I can say that this year an insurance man was at the helm of affairs.

Mr. Santanam: May I ask if the Executive Committee is also taking action to request all the big merchants and industrialists assembled here and the member-bodies of the Federation to patronise Indian Insurance companies?

President: Efforts are made.

APPOINTMENT OF HONY. AUDITORS.

President : I propose :

"That Messrs. Sorab S. Engineer and Co. be appointed honorary auditors for the year, 1934."

The motion was passed unanimously.

Mr. Mathuradas Vissanji (Indian Merchants' Chamber, Bombay): Sir, I have been placed in the very fortunate position of having to propose a vote of thanks to the Chair. And that duty has been very much lightened by the most able, tactful and pleasant way in which the President has conducted the deliberations of this Session. I beg to propose the following vote of thanks :

VOTE OF THANKS TO THE PRESIDENT

"That this meeting of the Federation puts on record their sense of appreciation of the valuable services rendered to the Federation, by its retiring President, Mr. Nalini Ranjan Sarker and thanks him for the tactful and able administration of its affairs during his period of office." (Applause).

I do not think I need say anything more about it because the proposition as it is worded is absolutely self-indicative. The able way in which he has delivered his address at the opening of this session has given a lot of material to the business community and food for consideration for the next year at least : and I hope we will be able to take full advantage of the advice and suggestions which he has given in that address. I beg to lay this resolution before the House for approval. (Applause).

Rao Bahadur S. G. Mohatta (Karachi Indian Merchants Association) : It is my pleasant duty to support this motion and our most heartiest thanks are due to our President, Mr. Sarker. The duty of the President specially at the time of these conferences when there are people representing different interests is very onerous and our President has discharged that duty with great ability. His name is "Nalini" which means lotus, "Ranjan" which means to please, and "Sarker" which means the *malik*. Therefore there was no doubt that with his judicial judgment he would be able to control this conference very well. I am also of opinion that in the Indo-Japanese

agreement he has played a very eminent part as one of the advisers, and I will give every credit to the Indian advisers that owing to their activities and their good advice this agreement has come to such a satisfactory conclusion. Therefore our President is without doubt worthy of our heartiest thanks and in that I am expressing the wishes of you all here.

I also welcome our new President, Mr. Kasturbhai Lalbhai. In times like the present it is a great task for our future President, especially when he is a capitalist and an industrialist, to command the Federation and from what I have seen I think he will be able to get on very well and attract members to his side. Times are changing and people do not want even the present Government or any kind of authority who will make reservation for their future generation, whether they are fools or imcompetent. Therefore these managing agents, even if they wish to reserve their rights for the future generation, will find it very difficult to do so. I know Mr. Kasturbhai is such a kind gentleman and has got so good a heart that surely he will be able to control this body very well in future and so I welcome him and also congratulate the Federation in having such a good President.

Mr. Kasturbhai Lalbhai : Mr. President and brother delegates : It is my great privilege to accord a vote of thanks to you, Sir, on behalf of the members of the Executive Committee who have known you and your ability and your kindness in conducting the several meetings you had to during the last year. Those of the brother delegates who have come here have only had a short opportunity of knowing you for a period of two days : but those of us who have had to work with you during the last several Executive Committee meetings that you held in the year know and recognise the great ability with which you conducted those meetings and the great persuasive powers you possess in winning over different points of view that the members may have held. I certainly do appreciate it very much on behalf of the members of the Executive Committee and accord you a very very hearty vote of thanks.

Gentlemen, I put the vote of thanks to the President for acceptance and I hope you will carry it with acclamation.

The motion was carried with acclamation.

Mr. Kasturbhai Lalbhai: Gentlemen, you will allow me to say a few words on my own behalf. In electing me as your President for the coming year, you have done me a very very great honour. I know that I have not got the ability nor the courage to take up that responsibility that has been showered on me. But with your co-operation I am confident that I shall be able to do my little bit to bring about the most amicable relations between the different sections representing different industries and different interests from different points of view all over India and my only wish and desire is that industrial and commercial India may work its destinies side by side along with political India and in the best interests of our motherland. There may be differences of interests, as has been pointed out by different speakers, but there could not be any difference of opinion with regard to the advancement of our mother country and if we all work together with a definite desire with that goal in view, I do not suppose we need be afraid of the future. Gentlemen, I thank you most sincerely for reposing your trust in me for the coming year. (Applause).

President (Mr. Sarker): Brother delegates, I thank you most sincerely for the kind words you have expressed. This is not merely my conventional thanks: I can assure you that I have not got sufficient words to express my gratitude towards you. It is through your co-operation—I shall say unstinted co-operation—that I have been able to finish the business of this session with smoothness, so much smoothness that I sometimes feel that it would have been very good if there were a little more liveliness in the proceedings. (Laughter). What little I have been able to do during the year has been certainly through your kind co-operation. I have not been able to do many things but I can assure you that I have always intended to do the best and even here if I have made some mistake, as I am bound to do as a human being, I can assure you that it was not intentional and if I have done anything wrong I think you will be able to pardon me. Though I am leaving my reins of office to Mr. Kasturbhai Lalbhai, I can assure you that I consider myself to be a servant of this Federation: whenever my services will be required it will be at your disposal at a moment's notice. I shall always be a loyal and enthusiastic servant of this Federation.

As regards my friend, Mr. Kasturbhai Lalbhai, to say anything would be painting the lily. You all know him. He has combined

in him both business and patriotism—I am mentioning this not in the sense in which Johnson used it, but in a form which is most pleasant and acceptable. He has administered his mills in such a way that even the President of the Tariff Board once remarked that these are models to be copied by other institutions. I have not the least doubt that the same business habits he will be able to put in the working of the Federation.

In conclusion, I want to mention one personal matter. I would not have mentioned it but for the fact that some of you do not know me for a pretty long time. It has been brought to my notice that a paper called the *Sun*, issued from Bombay, has made certain allegations against me and my committee. Those who know me for a long time specially those members coming from Bengal know that I do not give any importance to newspaper criticism. Newspaper criticism has been practically a routine in my daily life. For the last ten years in Bengal I have been attacked almost every day and my skin is thick enough to resist these attacks ; but since we have met here in a friendly spirit I should open my mind to-day regarding these allegations. I would tell you that these statements which have appeared in the *Sun* are tissues of falsehoods from beginning to end. It is against my temperament, it is against my conduct to carry on any secret negotiations. During the last ten years or fifteen years of my public life, nobody has been able to say that I have ever carried on negotiations behind the back of the country, and I do not attach so much value to the presence of the Government members here that I should offer such a price for it. I can say that neither the Government members have asked any price for it, and you have seen that they have not come and so their allegation is perfectly baseless.

About the Mody-Lees Pact, my opinion you have heard in my presidential address ; in an unambiguous and clear manner I disapproved of the Mody-Lees Pact. Not only now, but in my presidential address ten days back when I addressed the Bengal National Chamber of Commerce as President I disapproved of the Mody-Lees Pact. When the pact was being negotiated in Simla, I was there as your representative. From the very beginning I was opposed to the Mody-Lees Pact, and I have never gone or discussed with Sir George Schuster or Sir Joseph Bhore anything about the Mody-Lees Pact or the White Paper proposals during the last one year. We have

discussed various other financial and other questions but not a word about the White Paper or the Mody-Lees Pact, and I can assure you that I have never given any assurance or any indication that we shall be silent on the Mody-Lees Pact or that we shall work the White Paper Reforms.

With these words I again thank you for the very kind honour you have done me this session and it is also my pleasing duty to thank the scrutineers, Mr. J. N. Sen Gupta (Secretary, Bengal National Chamber, Calcutta) and Mr. M. P. Gandhi (Secretary, Indian Chamber of Commerce, Calcutta), who have done this work, and also I have to thank our past auditors, Messrs. Ray and Ray and I also thank you, brother delegates, for the trouble you have taken in coming and attending this session. As a matter of fact I feel flattered that there has been so much attendance which is a record attendance for the last few years. (Cheers).

The proceedings of the Seventh Annual Session of the Federation then came to a close.

APPENDIX "A"

LIST OF MEMBER-BODIES OF THE FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY WITH THEIR REPRESENTATIVES.

Names of Members.	Names of Representatives.
1. The Ahmedabad Mill-owners' Association.	1. Sheth Kasturbhai Lalbhai. 2. Sheth Narsibhai Lallubhai. 3. Sheth Maganlal B. Patel. 4. Sheth Thakorlal C. Munshaw.
2. The Baroda Mill Owners' Association, Baroda.	1. Raj Ratan Sheth Chimanlal-Girdherlal. 2. Sheth Chaturbhujdas Chimanlal. 3. Sheth Anandlal Hiralal. 4. Sheth Shantilal Girdherlal.
3. The Bihar and Orissa Chamber of Commerce, Patna.	1. Raja Devaki Nandan Prasad Singh 2. B. Das, Esq., M.L.A. 3. N. N. Rakshit, Esq. 4. Rai Bahadur Sakhichand.
4. Bengal National Chamber of Commerce, Calcutta.	1. Mr. Nalini Ranjan Sarker. 2. Sir Hari Sanker Paul Kt., M.L.C. 3. Mr. P. C. Coomar. 4. Mr. B. C. Ghose.
5. Bombay Bullion Exchange Ltd., Bombay.	1. Mr. Chunilal Bhaichand Mehta. 2. Mr. Lachhmandas Harakhchand Dagha. 3. 4.
6. Bombay Shroff Association, Bombay.	1. Sheth Mohanlal Ambalal Parikh, B.A., 2. Sheth Mangulal Trikamlal, B.A. 3. Sheth Sakal Chand G. Shah, B.A., LL.B. 4.

Names of Members.	Names of Representatives.
7. Burma Indian Chamber of Commerce, Rangoon.	1. Mr. Ganga Singh, M.L.C. 2. C. S. Patel, Esq., B. Com., G.D.A., R.A. 3. 4.
8. Buyers and Shippers Chamber, Karachi.	1. Jamshed Nusserwanjee Mehta, Esq. 2. Hoshang N. E. Dinshaw, Esq. 3. Seth Haji Abdulla Haroon. 4. W. M. Muzumdar, Esq.
9. Deccan Merchants' Association, Bombay.	1. Mr. K. B. Joshi. 2. Mr. S. B. Joshi. 3. Dr. V. B. Gandhi. 4. Mr. M. V. Godbole.
10. Delhi Factory Owners' Federation, Delhi.	1. Lala Shri Ram 2. Lala Baij Nath Sayal. 3. Mr. Raj Bans Bahadur. 4. Mr. Jawala Pershad Mandalia.
11. Delhi Hindustani Mercantile Association, Delhi.	1. Lala Ram Prasad. 2. Sheth, Lakshmi Narain Gadodia. 3. Lala Amir Chand Khosla 4. Seth Ghansham Dass.
12. East India Jute Association Ltd., Calcutta.	1. Mr. Hanumanprasad Bagaria. 2. Mr. J. L. Pandit. 3. Mr. Kailasnath Misra. 4. Mr. Nirmal Chandra Ghosh.
13. Godavari Chamber of Commerce, Coconada.	1. Mr. Sripada Ramayya. 2. Mr. Chittoori Rangiah 3. Mr. Appana Padma Razu. 4. Mr. Srikakolapu Krishnamurty.
14. Grain Merchants' Association, Bombay.	1. Mr. Ratilal Mulji Gandhi 2. Mr. Lakhamsey Gelabhai 3. Mr. Mohanlal Bhikamdas 4. Mr. Pachubhai Mansie.
15. Gwalior Chamber of Commerce, Lashkar-(Gwalior).	1. Lala Ramjidas Vaishya. 2. Mr. D. C. Muzumdar. 3. Mr. P. D. Tambat. 4. Mr. J. P. Jhala.

	Names of Members.	Names of Representatives.
16.	Indian Chamber of Commerce, Calcutta.	1. Mr. A. L. Ojha. 2. Mr. D. P. Khaitan. 3. Mr. G. D. Birla. 4. Mr. G. L. Mehta.
17.	Indian Chamber of Commerce, "Jagadalaya," Coimbatore.	1. 2. 3. 4.
18.	Indian Chamber of Commerce, (Deshi Beopar Mandal), Lahore.	1. Mr. L. N. Khanna. 2. Lt. Sardar P. S. Sodhbans, F.L.A.A. (Lond.) 3. Sardar Gurdial Singh Salariya. 4. Mr. S. L. Tuli.
19.	Indian Insurance Companies' Association, Bombay.	1. J. C. Setalvad Esq. 2. K. S. Ramchandra Iyer Esq. 3. Vijaysingh Govindjee Esq. 4. T. K. Desai Esq.
20.	Indian Insurance Institute, Calcutta.	1. Mr. Amal Sen. 2. Dr. S. C. Roy. 3. Mr. S. Bagchi. 4. Lt. N. M. Roy Choudhuri.
21.	Indian Life Assurance Offices' Association, Bombay.	1. K. C. Desai Esq. 2. Pt. K. Santanam. 3. M. K. Srinivasan Esq. 4. S. C. Mazumdar Esq .
22.	Indian Merchants' Association, Chittagong.	1. Rai Upendra Lal Roy Bahadur. 2. Rai Shaheb Prasanna Kumar Sen. 3. Mr. S. R. Biswas. 4. Mr. N. K. Talukdar.
23.	Indian Merchants' Chamber, Bombay.	1. Sheth Mathuradas Vissanji. 2. Mr. Manu Subedar. 3. Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E. 4. Mr. A. D. Shroff.
24.	Indian Mercantile Chamber of Ceylon, Colombo.	1. 2. 3. 4.

Names of Members.	Names of Representatives.
25. Indian Mining Federation, Calcutta.	1. S. C. Ghose Esq. 2. B. P. Agarwalla Esq. 3. K. Dutt, Esq. 4. Rao Bahadur D.D. Thacker.
26. Indian National Steamship Owners' Association, Bombay.	1. Walchand Hirachand Esq. 2. M. A. Master Esq. 3. Abdul Baree Chaudhri Esq. 4. Shariff Hassam Esq.
27. Indian Produce Association, Calcutta.	1. Babu Prabhudayalji Himatsingka. 2. Babu Gaurishankerji Dalmia. 3. Babu Purshotamdasji Kedia. 4. Babu Rameshwarlalji Nopany
28. Indian Salt Association, Bombay.	1. 2. 3. 4.
29. Indian Sugar Mills Association, Calcutta.	1. Lala Hari Raj Swarup, M.L.A. 2. Seth G. M. Mody. 3. Lala Jaswantarai Churamani. 4. Lala Shankar Lal.
30. Indian Tea Planters' Association, Jalpaiguri.	1. Mr. Nalini Ranjan Ghose, M.A.,B.L., Advocate. 2. Mr. J. N. Bose. 3. Mr. Debes Chandra Ghose. 4. Mr. Hemendra Nath Bose.
31. Jute Balers' Assoc iation, Calcutta.	1. 2. 3. 4.
32. Karachi Indian Merchants' Association, Karachi.	1. Rao Bahadur Seth Shivratan G. Mohatta. 2. Soonderdas Dharamsey Esq. 3. Mr. Srikishandas H. Lulla, M.A., LL.B. 4. R. K. Sidhwa Esq.,
33. Maharashtra Chamber of Commerce, Bombay.	1. Walchand Hirachand Esq. 2. M. L. Dahanukar Esq. 3. G. S. Marathey Esq., M.A., A.I.A., (Actuary) 4. B. S. Dabke Esq.,

	Names of Members.	Names of Representatives.
34.	Marwadi Chamber of Commerce Ltd., Bombay.	1. Kishan Prasad, B.A. 2. Mr. Umashankar Dikshit. 3. Raja Bahadur Govindlal Pitti. 4. Keshavdeo Nevatia Esqr.
35.	Merchants' Chamber of United Provinces, Cawnpore.	1. L. Padampat Singhania. 2. S. Bashir Esq. 3. Sardar Inder Singh. 4. B. Gur Prasad Kapoor.
36.	Mysore Chamber of Commerce, Bangalore.	1. Mr. K. Shama Iyer. 2. 3. 4.
37.	Native Share and Stock Brokers' Association, Bombay.	1. Amratlal Kalidas Esq. 2. Jagmohandas Jekishandas Kapadia Esq. 3. Rajendra Somnarayan Dalal Esq. 4.
38.	Nattukkottai Chettyars Association, Rangoon.	1. Kumararaja Muthiah Chettyar, B.A. 2. 3. 4.
39.	Seeds Traders, Association, Bombay.	1. Mr. Ratilal Mulji Gandhi, B. A. 2. Mr. Chhotalal Kilachand, J.P. 3. Mr. Nandlal M. Bhuta. 4. Mr. Gordhandas Jamnadas.
40.	Southern India Chamber of Commerce, Madras.	1. Mr. S. M. Choudhury. 2. Kumararajah M.A. Muthiah Chettiar of Chettinad, 3. M.Mahomed Ismail Saib, Esq. 4. M. R. Ry. Vidya Sagar Pandya, a. vl.
41.	The Southern India Skin & Hide Merchants' Association, Madras.	1. Mr. M. Jamal Mahomed Saib. 2. Mr. C. Abdul Hakim Sahib. 3. Mr. M. Mohamed Ismail Saib. 4. Mr. M. Sundaram Naidu.

Names of Members.	Names of Representatives.
42. Southern India Textile Association, Coimbatore.	1. M.R. Ry, B.A. Padmanabha Ayyar. 2. M. R. Ry. V. S. Senkottiah. 3. M. R. Ry. P. S. Sathappa Chettiar. 4. K. N. C. Pattuck Esq.
43. Telikanta Brokers' Association, Calcutta.	1. 2. 3. 4.
44. The United Provinces Chamber of Commerce, Cawnpore.	1. Mr. B. N. Chopra. 2. Lala Rameshwar Prasad Bagla, M.L.A. 3. Lala Girdharilal Bajaj. 4. Mr. I. D. Varshanie.

CORRESPONDING MEMBER

Indian Chamber of Commerce in Great Britain, London.

EX-OFFICIO REPRESENTATIVE

Mr. S. S. Gangla, Bombay.

APPENDIX "B"

Office-Bearers for the Year 1934-35.

PRESIDENT.

Mr. Kasturbhai Lalbhai.

VICE-PRESIDENT.

Lala Padampat Singhania.

MEMBERS OF THE COMMITTEE.

1. Mr. Nalini Ranjan Sarker (Bengal National Chamber of Commerce, Calcutta).
2. Lala Shri Ram (Delhi Factory-owners' Federation, Delhi).
3. Mr. G. D. Birla (Indian Chamber of Commerce, Calcutta).
4. Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E., (Indian Merchants' Chamber, Bombay).
5. Mr. Walchand Hirachand (Maharashtra Chamber of Commerce, Bombay).
6. Raj Ratna Seth Chimanlal Girdherlal (Baroda Millowners' Association, Baroda).
7. Seth Mathuradas Vissanji (Indian Merchants' Chamber, Bombay.)
8. Rao Bahadur Shivrattan G. Mohatta (Karachi Indian Merchants' Association, Karachi).
9. Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay).
10. Mr. P. S. Sodhbans (Indian Chamber of Commerce, Lahore).
11. Mr. Vidya Sagar Pandya, M.L.A., (Southern Indian Chamber of Commerce, Madras).

HONORARY TREASURERS.

1. Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta).
2. Sir Hari Sanker Paul, Kt., M.L.C. (Bengal National Chamber of Commerce, Calcutta).

CO-OPTED MEMBERS.

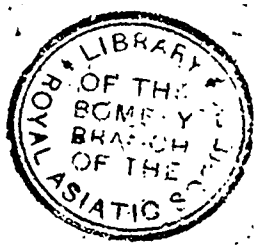
1. Seth Haji Abdoola Haroon, M.L.A., Karachi.
2. Mr. B. Das, M.L.A., Cuttack.
3. Rai Upendra Lal Roy Bahadur, Chittagong.
4. Mr. Chunilal B. Mehta, Bombay.
5. Mr. Amrit Lal Ojha, Calcutta.
6. Mr. M. Mahomed Ismail, Madras.

SECRETARY.

Mr. D. G. Mulherkar.

Office address : Pankore's Naka, Ahmedabad.
Telegraphic address : Unicomind, Ahmedabad.

Federation of Indian Chambers of Commerce and Industry



PROCEEDINGS

OF THE

EIGHTH ANNUAL MEETING

HELD AT

DELHI

on the 30th & 31st March, 1935.

1935.

Federation of Indian Chambers of Commerce and Industry

PROCEEDINGS

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1935.

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Federation of Indian Chambers of Commerce and Industry

Proceedings of the Eighth Annual Meeting held in Delhi on 30th and 31st March, 1935.

The Eighth Annual Meeting of the Federation was held in Delhi at the Old Assembly Hall, Alipore Road, on Saturday, the 30th March, 1935, at 11 a. m., with the President, Mr. Kasturbhai Lalbhai, in the Chair: the following representatives of the Member-bodies were present:—

Mr. Kasturbhai Lalbhai, Lala Padampat Singhania, Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E., Seth Walchand Hirachand, Mr. G. D. Birla, Lala Shri Ram, Mr. D. P. Khaitan, Seth Mathuradas Vissanji, M.L.A., Raj Ratna Seth Chimanlal Girdharilal, Mr. V. Ramdas Pantulu, Mr. B. Das, M.L.A., Mr. A. D. Shroff, Mr. Chunilal B. Mehta, Lt. Sardar P. S. Sodhbans, Mr. A. L. Ojha, Seth Hajee Abdoola Haroon, M.L.A., Sir Chinubhai Madhowlal Ranchhodlal, Bart., Seth Popatlal H. Nagri, Seth Harivallavdas Kalidas, Raj Ratna Seth B. D. Amin, Raj Ratna Seth Anandilal Hiralal, Babu Balkrishna Das, Mr. N. N. Rakshit, Dr. D. N. Sen, Mr. Bimal Coomar Ghosh, Seth Pratapray Manmohandas Mehta, Seth Shankerlal Chandulal Sura, Mr. Hoshang N. E. Dinshaw, Mr. T. S. Thadani, Mr. Ramratan Gupta, Lala Gurprasad Kapoor, Mr. Baij Nath Sayal, Mr. Raj Bans Bahadur, Mr. J. P. Mandelia, Lala Amir Chand Khosla, Lala Panna Lal Jain, Seth Lakshmi Narain Gadodia, Lala Padam Chand, Mr. S. N. Kanoria, Mr. Nandkishore Kanoria, Mr. Babulall Kasera, Mr. J. L. Pandit, Mr. Ratilal Mulji Gandhi, Mr. Vallabhdas Peraj, Mr. Haridas Velji, Lala Ramjidas Sahib Vaishya, Mr. S. R. Khandkey, Mr. S. R. Dhariwal, Mr. G. L. Mehta, Sardar Sardul Singh Caveeshar, Mr. H. S. Bhalaya, Mr. S. L. Tuli, Mr. J. C. Setalvad, Mr. B. J. Mody, Mr. S. C. Mazumdar, Mr. N. M. Roy Choudhury, Mr. S. Bagchi, Mr. J. P. Dutia, Pt. K. Santanam, Mr. P. C. Ray, Mr. C. A. Buch, Mr. Manu Subedar, Mr. N. M. Raiji, Mr. M. C. Ghia, Rai P. Mukherjee Bahadur, Mr. K. Dutt, Mr. B. N. Banerjee, Mr. Hira Chandjee Dhariwal, Mr. Rameshwarjee Bediwal, Mr. Bansi Sharjee Daga, Mr. Hooseinbhoy A. Lalljee, Lala Hariraj Swarup, Seth Chhotalal Kilachand, Lala Shankar Lall, Mr. Debes Chandra Ghosh, Mr. A. Dutta,

Mr. P. N. Banerji, Mr. Hariram Saraogi, Mr. Gopichand Chopra, Mr. Gouriprasad Khaitan, Mr. Santoshchand Bararia, Mr. R. K. Sidhva, Mr. M. L. Dahanukar, Mr. B. D. Garware, Mr. G. S. Uplekar, Mr. Umashankar Dikshit, Mr. S. M. Bashir, Mr. N. K. Bhartiya, Mr. Ram Narain Garg, Mr. G. Narain Rao Naik, Mr. Jagmohandas, J. Kapadia, Mr. Nandlal Mulji Bhuta, Rao Bahadur Lala Rameshwar Prasad Bagla, Lala Girdharilal Bajaj, Mr. I. D. Varshnei, Mr. K. Nageswara Rao, The Hon'ble Mr. Y. Ranganayakulu Naidu and Mr. T. Mahabaleshwarappa. *

Amongst the distinguished persons invited to be present were :—

Mrs. Sarojini Naidu, Mr. James Cromwell, the Hon'ble Mr. Shantidas Askuran, Sir Darcy Lindsay, M.L.A., Mr. Ramsay Scott, M.L.A., Mr. C. S. Rangaswamy, and Dr. P. P. Pillai, Director, Indian Branch of the International Labour Office.

Amongst the Secretaries of the Member-bodies invited to be present were :—

Mr. J. K. Mehta, Mr. K. M. Purkayastha, Mr. Chunilal Vrajlal Mody, Mr. D. V. Kelkar, Lala Ram Pershad, Mr. M. P. Gandhi, Mr. D. K. Sanyal, Mr. B. M. Trivedi, Mr. K. Shama Iyer, Mr. R. N. Jha, Mr. M. L. Gupta, Mr. R. Raghavan Nair, Mr. T. K. Santanam, Mr. Govindchand Bora, Mr. A. C. Ramalingom, and

Mr. D. G. Mulherkar (*Secretary*).

The President, Mr. Kasturbhai Lalbhai, in opening the proceedings of the Eighth Annual Meeting, said :—

Gentlemen,

I have great pleasure in according a cordial welcome to you who have gathered here to represent various chambers, trade and industry from all provinces of India, to this the 8th Annual Session of the Federation. I also extend a hearty welcome to Members of the Central Legislature who are good enough to honour this Session by their presence.

* List of member-bodies of the Federation and their Representatives is printed as an appendix "A "

I should at the beginning like to refer to one or two domestic questions. One is about the desire of the General Body to revise the constitution of the Federation in the light of the experience gained in its working for the last seven years. This question was first referred to a small Committee and then to the Member-bodies. The Committee have now entrusted it to the President and the Vice-President with a view to secure a greater measure of agreement on several of the suggestions made by the Member-bodies. I hope my successor would be able to achieve this unanimity and that you will extend to him through your Committees full cooperation and assistance in this matter. Another important question which is left still undecided is the appointment of an Officer at the headquarters of the Government of India, which was decided upon by the Committee with a view to create a link between the representatives of the public on the Central Legislature and the Federation. He will also act as a liaison Officer between the Government of India and the Federation. The Committee have not been able to secure the services of a person who can ably discharge the responsibilities of the post.

It is a matter of great regret to record the loss which the Indian commercial community suffered in the death of Mr. Lalji Naranji and Sir Manmohandas Ramji. Mr. Lalji Naranji was a distinguished Member of the Committee of the Federation and ungrudgingly gave his services in the cause of India's commerce and industry. Sir Manmohandas Ramji was a pioneer industrialist and was the first to organise Indian commerce and industry on sound lines. The Indian commercial community is poorer to-day by the death of these two distinguished Members.

Government of India Bill: The political condition of the country is fast changing. Amongst the many momentous questions before the country, the economic regeneration of the masses has become a question of paramount necessity and the country is showing a remarkable sense of unity to attain that objective. This solidarity is essential at the present juncture, as the country is face to face with grave constitutional issues. It is perhaps needless to say at this stage anything at length against the scheme of political advance envisaged under the Government of India Bill. But it must be emphatically stated that the proposals underlying the Bill on which

the Reforms are based, appear to be deliberately framed with a view to cripple the political and economic progress of the country. While there has been an advance in the matter of provincial autonomy, the Reforms have not conceded any substantial political power at the Centre. The system has been so devised that we will have no control over the services, the military and practically 80 per cent. of the total expenditure out of the taxable revenue, and its provisions of checks will lead to a continual wrangle amongst the responsible Federal Ministers. On the other hand, for this meagre political gain, the country is being permanently saddled with communal representation, indirect elections and safeguards unknown in the constitution of any other country.

In the economic sphere, the Bill has introduced new principles which will have the effect of perpetuating the economic drain of the country. To safeguard British interests, the Indian Legislature has not only been deprived of the right of undertaking any measures, which will have the appearance of discriminating against them either directly, or indirectly howsoever necessary those measures may be, in the best economic interests of India, but also the Governor-General has been empowered to negative any executive action, which, in his opinion, savours of such discrimination. It has also been provided that no discrimination should be made in granting subsidies between Indian concerns and British concerns established in India. Taken together with the special provisions relating to Shipping, in the absence of an absolute right to the enjoyment of the Coastal Trade, India can never hope to build up her Mercantile Marine. In short, all these provisions relating to safeguards, commercial discrimination and shipping, render completely ineffective the inherent powers of a country's legislature to adopt any fiscal policy or measures best suited to the economic interests of the country.

General Trade Conditions: Coming to the economic events of the year, the condition of the country has changed a little, though there are signs to indicate that we are getting out of the worst period of depression. During the year, the general index of prices remained practically constant at 90, and the index of export commodities which are mainly agricultural, continued to move at a lower level from 69 to 72, thus indicating that, so far as the bulk of the people were concerned, their real income did not show any material improvement.

This conclusion can also be deduced from the figures of the Cooperative Societies or the Railway Passenger Traffic. Both the Coastal Trade and the Rail-borne Trade showed slight improvement, their figures being as follows :—

Railway Wagons loaded.

Monthly Average for a corresponding period of 7 months during 1926-27 to 1928-29.	Monthly average for 7 months-April, 1933 to October, 1933	Monthly average for 7 months-April, 1934 to October, 1934.
5,21,100	5,00,200	5,35,300

Coastal Trade.
Tonnage cleared.

Monthly average for 1926-27 to 1928-29.	Monthly average for 1933-34	Monthly average for 7 months-April, 1934 to October, 1934.
15,22,600	18,68,000	19,85,000

Tonnage entered.

Monthly average for 1926-27 to 1928-29	Monthly average for 1933-34.	Monthly average for 7 months—April, 1934 to October, 1934.
14,74,000	18,85,000	20,00,000

Foreign Trade : Though it might be admitted that recovery in other countries has influenced the foreign trade to a certain extent, there are hardly any signs of a recovery of a permanent nature and but for the export of gold, it would have been difficult to maintain the exchange at sh. 1/6d. The following table will bring out clearly the shrinkage in our trade during recent years and also the diminution in the surplus of our merchandise export :—

Trade of India

Imports (Millions of £s.)

	1913-14	1924-25 to 1929-30	1931-32	1933-34
United Kingdom ..	83.39	91.98	35'99	35'69
Empire	7.27	14.54	9.02	7.67
Total Foreign ..	36.88	81.59	52.96	43.42
Grand Total ..	127.54	188.11	97.97	86.68

Exports.

United Kingdom ..	38.93	59.14	33.64	34.93
Empire	24.06	37.44	20.07	15.76
Total Foreign ..	103.02	164.15	67.19	59.03
Grand Total ..	166.01	260.73	120.90	109.79

Trade 1934.

Imports and Exports of Merchandise and Treasure (in lacs of rupees).

	Exports including reexports	Imports	Balance of trade in Merchandise only.	Treasure —Net Imports +Net Exports	Remittances to Secy. of State (adverse to India.)	Balance of trade excluding Government Remittances.	The Net balance of trade + in favour —against.
Total for 1934.	151,42.14	126,39.34	+25,02.80	+61,42	—63,04	+86,69	+ 23,65

Exports of Gold : Ever since the abandonment of the gold standard by the United Kingdom in September, 1931, exports of gold from India have been very substantial and if this continues at the same pace for some time, whatever hidden treasures India may

have in possession will soon disappear and she can no longer depend on exports of gold to liquidate her external debt. For a predominantly agricultural country like India, her economic structure is based upon her ability to sell her raw materials in the world markets, and so long as she is unable to find suitable markets for the sale of her agricultural produce, she cannot afford to incur external debt which is already a considerable burden on her resources, by allowing freely an incessant flow of imports into her borders. The policy of economic isolation which is being attempted in many a foreign country will not be a suitable one for India, and new avenues for exports will have to be explored by establishing trade relations with foreign countries on reciprocal basis.

Ottawa Scheme of Preferences: The following figures present us a picture to show that there has not been any definite improvement in our export trade which we can specifically attribute as the effect of the Ottawa scheme of preferences :—

Trade of India.

Percentage Distribution.

	Imports from				Exports to			
	1913	1924-29	1931	1933	1913	1924-29	1931	1933
	%	%	%	%	%	%	%	%
United Kingdom.	65·4	48 9	36·7	41·2	23·5	22·7	27·8	31·8
Empire countries.	5·7	7·7	9·2	8·8	14·5	14 3	16·6	14·4
Total British.	71·1	55·6	45·9	50·0	38·0	37·0	44·4	46·2
Foreign.	28·9	44·4	54·1	50·0	62·0	63 0	55·6	53·8

The United Kingdom being the only supplier of manufactured articles within the Empire, the advantages conferred on her, under the Ottawa Scheme outweighed the benefits which India shared along with the Dominions as suppliers of raw materials. The working of the scheme, even according to the Government of India's report for

the period ending March, 1934, does not indicate any material benefit to the export of agricultural produce of India. In rice, the trade has remained where it was; in tea, there has been an actual fall in the quantity exported—owing probably to the tea export restriction scheme—but as there was an increase in the prices realised the amount of trade shows an improvement. In cotton, the increase has been due more to the favourable parity of Indian cotton against American than to anything else. Hides and skins show an improvement but tea and hides and skins constitute only 13·5 per cent. and 7 per cent. respectively of the total exports; the share of the U. K. and the Empire being very small, any improvement in the export of these articles to the United Kingdom can only slightly benefit the total export trade of India. On the other hand, the repercussions of such a policy have already begun to be felt in the measures taken or contemplated by countries like France, Italy, Roumania and Belgium. This policy has been deprecated even by Germany. The direct effect of this Scheme has been to impede the creation of direct markets with foreign countries in a number of articles and to encourage entrepôt trade in London markets. It has to some extent checked the growth of internationalism in trade relations between India and the other countries of the world and even provoked foreign countries with colonial possessions to create close preserves on lines similar to those created by the United Kingdom. It has been argued that the Empire market is the only stable market and that it would be in India's interest to develop it. I must sound a note of warning to those who are inclined to argue on these lines, that India, as a substantial producer of raw materials, cannot, in the long run, afford to depend upon one single market—however stable—at the risk of losing her place in the other important foreign markets of the world. Even the United Kingdom which initiated the move of preserving Empire market for Empire countries, has all along during this period been concluding trade treaties with a number of foreign countries and it would be to India's advantage if she is to follow suit by negotiating independent trade treaties with her best foreign customers. The Legislative Assembly would soon be called upon to review the effects of the working of the Ottawa Scheme of preferences and I hope the Assembly would take note of the above factors in examining the material that would be placed before them by the Government and would arrive at a decision as to how far India should commit herself in any scheme of Empire Preference.

Industries: The improvement noticeable in some of the industries compares favourably with either the state of agriculture or of the foreign trade. As a reflection of this improvement, the value of Industrial Securities has been rising during the year but in many cases this rise has been more due to the abundance of funds seeking investment rather than to any significant changes in the material conditions of the industry. Neither the yield on those securities nor the indices of production justify these increases except perhaps as precursors of better times to come.

Jute: The jute industry is intimately connected with the turnover of the International trade. It was, therefore, expected that, with the improvement in the International trade, exports of manufactured jute would improve. Impediments in the nature of quotas, restrictions and controls did restrict the demand for the commodity but on the whole, the markets assumed a healthier tone during the year. This was partly achieved by curtailing production and partly through an improvement in trade. This policy of restricting the production of manufactured goods gave an impetus to the exports of raw jute. Right from the beginning of the year, anxiety was felt at this development and since November, 1934, additional looms were started as an experimental measure. This state of affairs cannot last long and the industry will have to decide as to which is the best policy in the larger interest of the country.

Cotton Textiles: The year showed a noticeable advance both in the production of cotton piecegoods and the diversification of the varieties manufactured, though the fortunes of the industry at many centres were anything but satisfactory. Many of the companies could hardly show any surplus even to cover the depreciation charges. This was due to overlapping of production in certain styles, and the low purchasing power of the masses, who are the main consumers of cloth. It was perhaps just as well that the industry had to pass through these difficult times, because it forced many of the manufacturers to improve their organisation, and urged them to economise in various directions. The most noticeable feature of the year has been the rationalisation undertaken on a large scale at the two chief centres of Bombay and Ahmedabad, which between them account for nearly two-thirds of the production. While these efforts deserve our sympathy, it is painful to find that no organised effort is being

made to capture the Indian market in all styles of piecegoods. Taking the triennial average we are obliged to import 930 million yards a year i.e., about 31 per cent. of our mill production, amounting to 3030 million yards per year. There is no reason why the country could not efficiently and cheaply produce these styles, which are being imported from the foreign countries.

Coal: Coal presents a different and an unhappy picture. Ever since the post-war period, the industry has been having a series of bad years, whose end does not appear in sight. This is due to the fact that probably in no other country, the industry is so much dependent on industrial consumption as in India, with the consequence that it can hope for a revival only following the revival of industry. Therefore, the poor off-take by the Railways, the depressed conditions of various industries and the diminishing Bunker trade had their effects on the coal industry, as the figures given below will show :—

Coal

	Production Tons	Export Tons
1929-30	223,75,000	687,630
1933-34	182,18,000	376,140

However, the trouble has been greatly extenuated by the unsympathetic treatment that the industry has been receiving from the Railways in the matter of freight rates, with the consequence that there has been a lack of proper distribution of the production and a lack of remunerative prices. This can be seen from the fact that Bombay and Karachi still find it paying to import foreign coal and the recent alterations in the freight rates immediately reacted in the pits mouth prices of the various collieries. Therefore, if the coal industry is to occupy the place it deserves in our national economy, there has to be a radical revision in the freight policy. With properly adjusted rates, the industry might be able to obtain a wider market for coke in the different urban centres of the country, and thus decrease its wholesale dependence on purely industrial consumption.

Sugar: The production of sugar increased considerably, though some factories were destroyed by the earthquake disaster and the fortunes of the industry have been fairly satisfactory.

Production of sugar in India.

Year.	Total tons	
1931-32	478,120	
1932-33	645,177	
1933-34	779,600	
1934-35	969,000	(Approximate).

Imports.

Year	Tons	Lakhs of rupees
1931-32	516,000	601
1932-33	369,500	412
1933-34	261,000	270
1934-35	119,000	114 (six months, April to September.)

During the short period of three years, the country has been able to build up an industry approximately at a cost of Rs. 15 crores and thus save an annual drain of more than 10 crores of rupees. This large amount has gone to benefit the agriculturist, the labour employed in the sugar mills and the industrialists. In no other industry, the policy of protection has been so completely vindicated as in this case. The internal competition has increased to such an extent that the industrialist will be left with no greater profit than a reasonable return, on the capital invested.

The production for the year 1934-35 is estimated to be 9,69,000 tons, which is approximately the Indian requirement. It is increasingly felt that the production coupled with certain amounts of imports, will outstrip the demand. For the maintenance of sugar industry in a healthy condition, it is necessary to devote greater attention to research. The development of the agricultural side of the industry has lagged behind the industrial and requires a considerable progress both in the matter of early and the late maturing varieties of canes yielding higher percentage of sucrose. Granted a better variety of sugar cane, there is no reason why India should not supply some of the world markets with her sugar. Herein is an acid test of the industrialists and the agriculturists working hand in hand, to open a new chapter in the history of the Indian industry.

Tea : The tea industry had on the whole a good year. The out-turn declined by nearly 20 per cent. as compared with the year 1929, a total decline of nearly 53 million pounds. There was also an equal decline in the exports. This was due to a number of causes; the primary being the scheme of export licenses and the repercussions following the scheme. In many cases, the cultivators were not able to plant, as they were not sure of being able to get the licences. This, however, resulted in the revival of the prices. So far, the scheme seems to have had a good effect, but a feeling is now spreading in the industry, that such a scheme should operate for a short period only; if it is continued, it might handicap the trade, instead of helping it. Already the imports of tea into England from non-restricted countries are increasing, and are bound to increase at a rapid rate, if the scheme becomes a permanent feature.

Railways : From the above, it will be noticed that the industries in general showed an improvement and in most cases the indices of production show an increase as compared with the previous year. The Railways shared in the revival of the industrial activities. The number of wagons loaded increased nearly by 7 per cent. over the previous year, due specially to an increase in the movement of cotton, oil seeds and fuel. The passenger and other high grade traffic, however, declined leaving the Railways no substantial benefit out of their comparatively better position on the Goods side.

The real problems which the Railways had to face during the year, and still have to face, are, however, different. It has been increasingly felt during the year that there should be a radical revision in the relations that the Railways bear to industries. The Railway authorities have still to realise that the Railways exist for a cheap and efficient service of the public and not for securing a particular percentage of return on the capital invested. To do the latter, is a comparatively easy matter in India, as most of the Railways are concerns of state monopoly. But to run them efficiently and cheaply, so that the freights do not weigh too heavily on the traffic, requires ability and breadth of vision which the management sadly lacks. The existing rate structure is thoroughly out of date and needs a complete revision in its outlook and practice. This has to be undertaken at an early date, with active participation of commercial and industrial interests. One cannot help stressing the fact that our

industries like coal, steel and oil-seeds have groaned under the heavy freight rates, without obtaining any relief from the Railways. The serious losses of the coal are largely due to this policy of the Railways, and our export trade in oilseeds, particularly in groundnuts is being captured by other countries on that account. Yet, the only reply from the railways to these complaints is that the rates are so adjusted as the traffic can bear.

Railway Statutory Board : Any hopes that we might have entertained of such an unsatisfactory situation being remedied in near future under the Federal Government have been shaken by the very objectionable proposals specifically laid down in the Government of India Bill for the constitution of the Federal Railway Authority. These proposals are in contravention of the promises so far given at the Round Table Conferences that the Indian Legislature will be given a free hand in constituting the Federal Railway Authority. We must lodge an emphatic protest against these proposals in the Government of India Bill which will make the Federal Government and its Ministers helpless in the administration of railways in as much as all important powers have been vested in the Governor-General. Unless the Railway authority is made responsible to the Federal Legislature through its Ministers, the trade and industry of the country will not derive fullest advantage of transport facilities as in other highly developed industrialised countries of the world. The Railways in India constitute one of her biggest assets and as such its administration should be entirely in the hands of the Indians and subject to the fullest control of the Indian Legislature.

Another problem that the Railways had to face during the year was the increasing competition from the Roads. Whatever the causes may be, the problem is certainly grave and cannot be solved, unless there is a greater coordination between the Rail and Roads. There is a shortage of roads in India compared with other countries and in future, the Road Transport is likely to assume a much greater importance. The development of roads, therefore, will have to be as feeders of Railways, and not as competitive units. The Road Transport cannot be expected to make much headway, until the octroi obtaining in many of the towns is replaced by some other form of taxation.

Monetary policy : Our agricultural and industrial troubles

which were partly due to the world depression, were aggravated by the terrible natural calamities like the earthquake and the frost. These could have been mitigated to a certain extent, if the Government had pursued a different policy. For instance, it tried to maintain both the exchange and the price level, with the inevitable result that it had to follow a policy of extensive contraction of currency and thus allow gold to acquire a fictitious value and be exported in large quantities. This doubly increased the hardships of the people, as it, on the one hand, reduced the value of their products, and on the other, deprived them of their only reserve. It may be argued that due to a contraction of exports, gold would have been exported as a matter of course. In that case, the price level would have increased by the realisation of these exports of gold. But a comparison with price level of United Kingdom or U. S. A. will show that this has not been allowed to happen.

Silver : A similarly unnecessary sacrifice has been imposed on the country through the silver policy of the Government of India. On more than one occasion, the country has complained against the serious consequences of this policy, but it has been of no avail. When the Hilton-Young Commission recommended the sales of silver, it was with the express idea that the proceeds would be utilised to build up gold reserves. But the Government had no intention of doing so, and instead, it utilised them for cancelling *ad hoc* securities in the paper currency reserves. Apart from the fact that this has contracted the currency and thus increased the rigours of deflation, the wisdom of this policy is doubtful from another angle also. It should be remembered that the Government of India are and continue to remain even under the Reserve Bank Act, under an obligation to exchange silver for paper currency. Whilst, therefore, this obligation lasts, there is always a contingency that silver reserves would be needed, as they were in the past and the Government of India might have to purchase them again in a dear market. It also appears that the requirements of the U. S. A. are large, and that the current supplies of silver are not adequate. Under the circumstances, a more cautious policy on the part of the Government is desirable from all points of view.

Money Conditions : Increase in the Bank deposits continued, and there was a large supply of funds in the market, which could not

be profitably invested. The Government had occasionally to come to the markets, and reduce this surplus by means of excessive purchases of Sterling Bills and the floating of Treasury Bills. Other countries when faced with a similar problem, increased their programmes of public works expenditure and thus utilised the funds that the market was unwilling to use on account of the lack of business confidence. The Government of India could have emulated their example with advantage instead of reducing their public works expenditure by as much as 50 per cent. In doing this, they followed an example of a business organisation forgetting that the duties of a State are different from the functions of a corporation.

Reserve Bank: Great hopes are entertained in the country by the establishment of the Reserve Bank, which is expected to start a new monetary era. As regards the selection of the personnel of the Board of Directors, it has met with the general approval of the country. Whether the hopes entertained about the Bank will be realised or not, will depend upon a correct interpretation of the duties and obligations of a Central Bank. If the Bank is to build up a Bill Market, and substantially help the argiculture and the industries, the rate structure will have to be so arranged that a certain amount of Bank Money is at the permanent disposal of the market. In this, it will be following the practice of the Federal Reserve System of the U. S. A., which, during a short period, has been able to secure for the American Banking System a remarkable progress by keeping quite a large part of its funds as a permanent part of the funds of the money market. Again, there is in the country a rich indigenous Banking organisation, which, it is the duty of the Reserve Bank to preserve and develop. In this connection it is hoped that the Bank will jealously guard its sphere of influence and object to any Legislation being passed without its approval, which will have a direct or an indirect influence on this Banking organisation.

Indo-British Trade Agreement: In matters industrial, notwithstanding the growing ideals of economic self-efficiency in other countries not excluding the United Kingdom the policy of rapid Industrialisation has not been undertaken. But the new orientation which is being given to the Tariff Policy, through Trade Agreements, and which will leave the country with a shadow of protection is a matter of grave and more immediate concern. Those who argue that the

ndo-British Trade Agreement is to be short lived, or those who say that it gives Lancashire no more than what it already enjoyed, ignore the real point at issue. It is not so much the concessions themselves, which are to be deprecated, but the fact that attempts ar being made to convert these concessions into the basic principles of the Tariff Policy. It may be that the Tariff Board sometimes used the price differentials as a convenient guide in arriving at its conclusions. A reference to the Report of the Fiscal Commission, however, will show that the Commission never contemplated the principles of the price differentials as an integral part of the scheme of protection. Therefore, enunciating new principles of such far-reaching importance, in negotiating a trade agreement, without giving the country a chance to express its opinion on the same, cannot be justified on any grounds. Another harmful innovation introduced is that the margin of protection between the United Kingdom goods and the foreign goods shall not be altered, so as to be detrimental to the interests of the United Kingdom goods. In other words, if it is found necessary to concede a bigger market to any foreign country, this can only be done by sacrificing India's share of the market. The most objectionable feature of the Agreement is that the United Kingdom industrialists can object to the continuance of protection to any of our industries at any particular level at any time. Unless there is a reasonable guarantee that the protection granted will be continued for a sufficiently long period, no industry will be able to undertake a programme of Capital investment, with a view to increase its productive equipment, and the country will be no better off for all its sacrifices. No Government has been known to have surrendered such valuable principles unmindful of its own requirements.

Trade Agreements: These Agreements,—the Ottawa, the Indo-Japanese and the Indo-British—will terminate shortly. At that time instead of the negotiations being rushed through, sufficient material should be made available to the public to guage their effects on trade and the industry of the country. In this connection, it may be mentioned that the practice of securing greater trade privileges by means of separate agreements, is increasing and we shall find it necessary to enter into many such agreements in future. In concluding them, care will have to be exercised that the concession granted in one market, does not adversely affect another and our losses in one do not out-weigh our gains in another. The Indo-Burma Agreement is already under consideration. It is the direct outcome of the

political separation forced on Burma, and the preservation and continuance of the economic *status quo* can be its only justification. It is, therefore, stressed that any understanding arrived at between the two countries should grant to Indian business, labour and capital, the same freedom and privileges that they have been enjoying so far. It should also be provided that Indian goods entering Burma will continue to receive the same treatment as hithertofore.

Economic Advance : Perhaps, the only relieving feature of the year is the growing consciousness in the country that all is not well with our economic system as it should be. It is being increasingly realised that, though India is potentially one of the richest countries, the development of her resources is insignificant as compared with the progress achieved by countries, like Japan and Russia. The necessity for planning has been realised acutely, and in many directions that feeling has taken a more concrete form. No progress can be achieved, however, unless these attempts are properly co-ordinated with a definite goal to be reached. If the economic resources are to be used to the best advantage and if any conflict of interest is to be avoided, there should be a clear conception of such an ideal towards which the Society is expected to evolve. The misdirected attempts at Crop Restrictions show what can happen in the absence of such an ideal, when the real issue is to raise the income of the people. Equally misplaced are the efforts undertaken in several provinces either to drive out the moneylender or to substitute him by an agriculturist moneylender. Whatever his fault may be, it has been universally recognised that he has rendered a very useful service to the rural economy, which is difficult to be replaced by any other agency for some time to come. Yet, to single him out as the only cause of the hardships of the agriculturists, is not only unwise at present, but also unjust, seeing that in effect, he is being deprived of his property. In a co-ordinated Society, he can be transformed into a beneficent institution.

The main objective in our case is to increase the purchasing power of the agriculturist, and any scheme of re-organisation that we undertake, must have this as the real and ultimate goal. It will mean on the one hand an increase in the productivity of the soil, through a reform in our methods of cultivation, and on the other, several re-arrangements which will enable him to use the existing purchasing power to better economic ends. The first ideal is certainly more ambitious, but it is so closely bound up with other questions that one feels, it would be better for the present to concentrate on

the second, and allow it ultimately to lead to the first. The institution of Land Mortgage Banks and the Co-operative Credit Societies will be helpful in this direction, but their progress will have to be far more rapid, and the funds at their disposal far larger, if they are to be of any service to the agriculturist. The entire credit structure should be so linked up with the Reserve Bank and the commercial Banks that it will put much larger funds at the disposal of the agriculturist. This, together with schemes of Cattle insurance against infectious diseases, will remove a great burden from the shoulders of the agriculturist. However, much the largest burden is the top-heavy structure of our administration, which weighs him down by taking away a large part of his income through direct and indirect taxes. In no country, such a huge share of a small income is devoted for the up-keep of the state. The primary necessity of the hour is, therefore, a reduction of this expenditure and its proper distribution directly over services which will benefit the agriculturist. Without it, all schemes of reorganisation will result in nothing. Even these improvements will leave a larger number of people on land than what it could support ; and a larger time than what they can gainfully occupy. No doubt, a part of this surplus population will be absorbed in the major industries as they develop, but what is really wanted, is a greater decentralisation of some of our industries, and the development of our Cottage Industries.

Electric Power : Rich as we are in hydraulic power, we have exceptional facilities in this direction, which should be immediately made use of as it has been done by Russia. These aims, however, will be defeated, if its development is allowed to proceed on the lines it has done so far. The generation and distribution of electric energy should be, through a few big units, unified under the control of the public bodies. Then only it will be possible to distribute the power efficiently, economically and without any profiteering. A proper distribution of power will also require a country-wide net-work of co-ordinated lines, like the English Grid System. Unless, therefore, the problem is tackled in good time, the existence and the growth of small units with vested interests and individualist outlook will be a serious obstruction in the development of the Industries and the Agriculture.

Commercial Legislation : A rapid industrialisation of the country will have to come all the same, because even with the highest of productivity, agriculture alone can never take us far either in the matter of wealth, or savings. Certain essential preliminaries which

should go with such a development, should not be lost sight of. Just as it is necessary to protect the consumer, it is equally necessary to safeguard the interests of the investor, and any progress in industrialisation, should be rounded off by an equal progress in Legislation. It might be mentioned, for instance, that we have no proper Legislation in Banking or Insurance. In the latter, certain developments make one apprehensive that both the business and the investor will suffer, unless the Government takes up the matter at an early date. In the country, there has been a growth of mushroom concerns, which do not realise their responsibilities properly. Outside, the Italian Government has refused to allow an Indian Insurance Company to operate in Italy, while Italian Insurance Companies enjoy an entirely free field in India, in the matter of Life, Fire or Marine Insurance. There is no reason why this state of one-sided privileges should be allowed to continue. Again, it is well-known that the German Government have put up a control on the transfer of funds out of Germany. German Insurance Companies are doing business still in India. What is the security, therefore, to an Indian concern, or an individual in the event of a big claim arising against them ? Insurance Legislation, therefore, requires to be dealt with at an early date. Similarly, now that the Government are in possession of the views of various bodies on the revision of the Indian Company's Act, amendment thereof should be proceeded with without any undue delay. Of course, the Amended Bill should be circulated and if need be, a few witnesses be examined before formulating the final draft.

Before concluding, I should like to say that in a few days' time, Sir Joseph Bhore, the First Indian Commerce Member, will retire from the Office ; and I am sure, everyone in this Hall will desire me to convey to him our sense of appreciation of his sympathetic hearing and prompt disposal of the questions that we have had the occasion to take to him, and his sincere efforts to meet our points of view regarding them. It is true, there have been occasions when we had differences of opinion with him, but even in these differences, one was sure of the essential purity of his convictions and honest beliefs in the path that he chose to follow. On the eve of his retirement, we can say with one voice that he may elsewhere outshine the brilliant record that he is living here. It is a matter of great satisfaction that he is to be succeeded by yet another Indian, Mr. Zafrulla Khan, whose astute ability and reputation have preceded him and which will not be a small asset in looking well after the Indian interests ; and you will join with me in extending our welcome to him in his new Office and our assurance that we shall always be willing to work in close

co-operation on the issues that confront the country. We shall also be losing the services of that capable administrator, Sir Fazli Hussain, who has not been keeping good health for some time. We all hope that, being free from the cares of the State, he will speedily recover his health.

Before bringing my remarks to a close, I wish to express on behalf of the Committee of the Federation our sincere thanks to our guests who have honoured us by their presence to-day, and I look forward to a greater contact between the Government, the Members of the Central Legislature and the representatives of commerce and industry for the solution of the political and the economic questions that the country may have to face in years to come. (*Applause.*)

I thank you all, gentlemen.

President : The annual report and the statement of accounts for the year 1934 have been circulated to the Representatives, and I move :—

"That the annual report of the proceedings of the Executive Committee and the statement of accounts duly audited for the year 1934 be adopted."

The motion was adopted.

GOVERNMENT OF INDIA BILL

President : Then we take up the resolutions. The first resolution is on the Government of India Bill and is to be moved from the Chair. I move :—

"The Federation most emphatically disapproves of the Government of India Bill based upon the Report of the Joint Parliamentary Committee. The constitution laid down in the Government of India Bill does not in any way conform to or approach the promises and pledges held out to India from time to time, and is more reactionary than the White Paper Scheme. The Scheme proposed is based upon complete distrust in the sense of fairplay of Indian Nationals and their ability to govern their own country and postulates numerous safeguards in the interests of British trade and industry which cut at the very root of fiscal autonomy and are a direct impedi-

ment in the way of national trade and indigenous industries, apart from their degrading character which no self-respecting nation can accept.''

The resolution was unanimously adopted.

STATUTORY RAILWAY AUTHORITY

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay) :— Mr. President, Mrs. Naidu, and Gentlemen, I beg to move :—

''The Federation emphatically protests against the decision of His Majesty's Government to specifically lay down the constitution of the Federal Railway Authority in the Government of India Bill which makes departure from the promises given at the Round Table Conferences that the Federal Railway Authority would be constituted under an Act of the Indian Legislatures.

''The Federation condemns the proposals for the constitution of the Federal Railway Authority as laid down in Part VIII of the Government of India Bill, all the clauses whereof make the Federal Government and its Ministers helpless in regard to Railway administration inasmuch as all the important powers have been vested in the Governor-General. Unless these proposals are radically revised and the Board made responsible to the Federal Legislature through the Ministers, it is apprehended that the interests of Indian trade and industries will be jeopardised and Indianisation of services will suffer indefinitely.''

Sir,

The Government of India Bill raises numerous issues of very great importance, but I think it is in the fitness of things that a body like this Federation, which represents vast and varied commercial and industrial interests of India, should take special notice of the provisions which are laid down in that Bill for the future regulation of the administration of railways in India. At the first two Round Table Conferences, for reasons best known to Government, the question of the future management of railways was not at all brought up for discussion. The silence of Government in regard to the future management of railways was very suggestive as it appears from subsequent developments. At the Third Round Table Conference, a Committee

was appointed—a committee on which, we must admit, Indians were given a fair share of representation, though when we talk of representation of Indians on such committees we have to understand it clearly as people who are the mere nominees of an irresponsible Government in this country. This committee was asked to consider a scheme which had been prepared in advance by the India Office. The committee considered the scheme and issued a report which is called the Sketch Proposals for the future administration of Indian Railways. This Federation eighteen months ago considered these proposals in detail in its executive committee, and issued a public statement, but at that time there was some consolation that, as the future regulation of the administration of railways in India was to be through an Act of the Indian Legislature, at least, imperfectly constituted as the Legislatures are to-day, this country would have an opportunity of expressing its opinion freely on that very important question. But as the result of the recent elections to the Indian legislatures and the reports of the possible composition of these legislatures which preceded that, there appeared to have come a change in the intentions of the Government of India, and instead of implementing fully the promise given at the Round Table Conferences that the future regulation should be through an Act of Indian Legislature, here we are presented with a scheme actually laid down in the Government of India Bill which will soon be an Act of His Majesty's Parliament—an Act which we shall be helpless to change in future. That the break of these promises does not cause a rude shock in India is a matter of no consolation, though accustomed as we are throughout the career of British administration in this country to promises being given only to be conveniently forgotten, if not broken. (*Hear, hear.*) Here we are presented with a scheme as to how the railways in India shall be regulated in future. In the first place, let me recount to you a few facts in connection with Indian railways just to remind you of the importance of this subject.

The railways in India have cost us a capital outlay of something like Rs. 795 crores. Times without number we are reminded that one of the greatest blessings conferred upon this poor country by the British rule is the erection of railways. We are told that India would have remained a backward and uncivilised country but for the civilising influence of railways which are the creation of the Britisher in this country. But for one moment I would like you to turn back to the history of railways in India from the time the first railway was put up in this country. As a humble student of some of our economic problems I have always profitably turned to what I consider the

classics of our economic literature, I mean, the speeches and writings of our great stalwarts, like the late Mr. Gopala Krishna Gokhale and our veteran, Sir Dinshaw Wacha. About 27 years ago, reviewing the working of the Indian railways in a series of articles in a powerful journal, which is now forgotten, but which at one time used to be a powerful journal, the Wednesday Review of Madras—in that series of articles, Sir Dinshaw Wacha has examined the claim of the Britisher for the conferment of that blessing on this country. Whereas we were told that it was British capital that made the entry of this civilising influence into this country, for the first fifty years the poor and overburdened tax-payer of this country had to fork out money to pay the guaranteed interest, as the Railways, under the much vaunted efficiency of the Britisher, could not pay their way. This claim of the efficiency of the services which is always supplemented with the claim of the introduction of civilising influence following in the wake of British rule in India, gentlemen, if you will examine in detail, you will stand aghast at the fact, as a result of close scrutiny that this efficiency has meant the perpetuation of the political domination of the country, because let us not forget that the early and primary objective of the establishment of railways in India was not to facilitate inland commerce and trade but to strengthen the political hold of the British on this unarmed land of ours. It is an unhappy subject on which we can go on mourning for years perhaps, but I would turn to the present and then to the future.

What is the present position? The present position is that the railways, involving a capital outlay of Rs. 795 crores, railways that employ 8,00,000 men in this country, railways which are a close preserve for the Britisher in the higher appointments, railways which lay down the rates and freights policy which vitally affect the trade and industry of this country—these railways are managed through what is called the Railway Board which has been in existence since 1905. The Railway Board, but for a very recent exception, has been throughout a British and a pucca British institution, and you can well understand what the policy of that pucca British institution could be with regard to fixing of rates and freights of the railways. There has been one relieving feature in recent years, namely that the railway budget has been subjected to the vote of the Indian Legislature, and the Indian Legislatures have obtained in any case opportunities for studying the details of railway administration in this country. Incidentally, I might mention that it is only since 1924 that this country has obtained the advantage of having an opportunity to study the details of railway administration. Even the details relating to railway

administration were made a close preserve by the Britishers before 1924. These opportunities, I am bound gratefully to express, have been very well availed of by our representatives in the Indian Legislatures, and so far as they have been able to exercise their beneficent influence, the Indian Legislatures have done their best in influencing the Government to moderate the rigours of their policy.

But in future even these small mercies are to be withdrawn. In the scheme which is laid down in Part VIII of the Government of India Bill, it is proposed that there shall be a railway authority which will be a body corporate. The Railway Authority shall consist of 7 Members. Of these 7 Members, 3 will be entirely the nominees of the Governor-General acting in his own individual judgment. Gentlemen, I want you to appreciate the distinction between appointments being made by the Governor-General in Council now and the appointments that will be made in future by the Governor-General acting in his own individual judgment. We have a little relieving feature at the moment that the Governor-General's Executive Council includes three of our own men who can be trusted, with all the limitations that the present constitution imposes, to exercise a moderating influence in the exercise of a bureaucratic Government. In future you will have the Governor-General acting in his own individual judgment which completely debars and excludes all influence that under the present constitution can be exercised. Besides these 7 men who will be running this huge concern of railways, there will be very important key positions, and the Britisher has taken great precaution and exercised great foresight to see that the inefficient, inexperienced Indian shall have the least chance of getting into these higher appointments. The position of the Financial Commissioner of railways, for instance, which is a position of great influence and responsibility in the management of the railways, shall be entirely created at the sweet will of the Governor-General acting in his own judgment. If you turn to the control of services of railways, you will find there is Schedule VIII to the Government of India Bill which lays down how the services shall be controlled. The net effect of all this is that, whereas we have been crying hoarse for the last 50 years for greater Indianisation of the railway services, there will be, under Schedule VIII which cannot be amended without the special approval and consent of the Governor-General, a definite obstruction to the pace of Indianisation in future. But these are perhaps smaller points in the regulation of railways in future. The greatest and the most important point is as regards the railway freights and rates. Businessmen, as you are, gentlemen, representing as you do various industries and

trades, you will have in the course of your day to day business come across innumerable instances as to how railway freights and rates can make or unmake a trade or industry. Recently, we were told by one of our greatest industries, the Iron and Steel Industry of this country, that the revision of a freight contract with one of the important railways of this country has cost that industry something like 25 lakhs of rupees. Instances have also come to our notice where freight advantages and freight disadvantages from one centre to another make possible either the promotion of our indigenous industries or provision of a definite outlet or increase the advantage for the foreigner to secure our own market. If we study the past history of railway freights and rates in India we are struck by the very solid fact that for years together the railway freights policy has been dominated by one motive, and that was to see that the imports of British manufactures were facilitated as far as it lay in the power of the Government of India to do so. If you will study the history of the efforts made by some of our shipping companies on the coast in the past 30 or 40 years, you come across the solid fact that the railway freights were used as an instrument for suppressing if not killing that native enterprise. Well, gentlemen, what railway rates and freights could not do I fail to imagine. But the Government of India Bill says that in future it will not be competent to introduce a Bill which can amend the existing rates and freights without the special approval of the Governor-General acting in his individual judgment. That means that the Britisher knows what is his interest in this country. The Indian also has come to realise fortunately what his own interest in his own country is. The Britisher can beat the Indian in this matter, but the Indian knowing where his interest lies has only to acknowledge his political impotence and helplessness and only go on crying and crying, though it be in the wilderness, until his cry for justice may be heard, and the wrong which is sought to be perpetrated by the Government of India Bill may through some act of nature be righted.

There is something which we are inclined to take rather in a somewhat lighter vein. We are told that the railways must be managed in future on business principles. We always took it for granted that the railways were business concerns and they would be run on business principles, but when we examine the position closely, we find that the railways have not been run on business principles. There is a long history behind it, but perhaps one or two things which I may cite for your consideration will suggest to you the possibility of a further examination whether railways have been run on business

principles. I do not know if any businessman can differ from what I am laying down as a dictum that any business can only flourish on nourishing its own custom. If you examine the fact that the Indian trade and commerce has been the best customer of the Indian railways, and if you examine the rates and freight policy that the Indian railways have pursued so far, you are very strikingly impressed by the fact that there must be either something wrong in the understanding of what is meant by business principles by those who are responsible for running the railways in India or that they are accepted as a matter of policy that business principles do not matter in the running of railways in India. Look at also another side of the picture. If you examine the railway statistics for any year in this country, you will find that out of about 34 or 35 crores of revenue derived from the passenger traffic nearly 30 crores come from the third class passenger, and anybody has to travel to any part of India to see how such an important customer has been ignored if not insulted and discouraged every day. And I ask, sir, whether the British Government which has been responsible for running our railways so far and who try to sermonise us as to how railways shall be run in future has handled the third class traffic in this country in accordance with the sermons that they have been preaching. I have already taken a lot of time, I think. I will leave something more to be said by the other speakers. I suppose I have said enough to commend this Resolution for the unanimous acceptance of this House that the regulation of the future administration of railways as laid down in the Government of India Bill is a regulation which only impresses us with our every day experience that the Britisher does not wish to part with power in India, whether that power be only for the purpose of maintaining political domination or for the purpose of denying us possibilities and opportunities for our economic uplift and advancement. (*Applause.*)

Mr. R. K. Sidhwa (Karachi Indian Merchants' Association) in seconding the Resolution said :—

Sir,

I rise to second the resolution moved by my friend Mr. Shroff. In the creation of this separate statutory railway authority, as all could see, it is clear that the Government of India and the Government of England have conspired together to deprive the legitimate rights of the people of this country to control and administer this great national asset. If you will refer to the Report that was submitted by the Government of India as early as 1930, you will find that they have made 5 recommendations for creating this statutory Railway

Board. This Report has been based on the survey made by Brigadier General Hammond and these 5 points would be interesting reading if I place them before you. They say that the separation of the railway administration is necessary for these reasons :—

1. To render prompt and adequate service to military authorities in times of political crisis.

2. To safeguard the enormous capital sunk in Indian Railways.

3. To guarantee the services of higher officers appointed by the Secretary of State in the railways.

4. To ensure future recruitment of Europeans on a large scale.

5. To maintain the interests of Anglo-Indian community in railway services. (*Hear, hear.*)

These are the 5 points on which the Government of India recommend to the Government of England to create a separate statutory Board. May I ask if any of these points are in the interests of Great Britain or they are in the interests of India ? There is not a single point which safeguards the interests of the people of this country, but all those safeguards are in the interests of commercial people of Great Britain. Yet we are told that they are the trustees of the Indian people.

In the 1st R.T.C. abruptly and without the subject being discussed by the Members a paragraph was inserted to the effect that it was proposed that a Statutory Board would be formed in the next Federation. Immediately Mr. Jayakar, Mr. Jinnah and Mr. Shastra stood up and repudiated it, and stated that they had not even considered this point and it was surprising how it had found a place in the Report. Lord Sankey who presided stated that it was His Highness the Maharaja of Bikaner who made the proposition. The Maharaja of Bikaner immediately got up and said that he had never said so. Then Lord Sankey said—'All right, I will make a note of it.' This is the whole position of the formation of the Statutory Board in the R. T. C. of 1930.

It has been stated very often that this Board has been created for the purpose of removing the interference of the political people and to run the railways merely on business lines. The White Paper

on that point states: 'His Majesty's Government consider that it will be essential that while the Federal Government and the Legislature will necessarily exercise a general control over the railway policy, the actual control of the administration of the State Railways in India including those worked by companies should be placed by the Constitution Act in the hands of the Statutory Railway Board so composed and with such powers as will ensure that it is in a position to perform its duties upon business principles and without being subjected to political influence.' I would request the House to note the last sentence. They say that for the purpose of removing the political influence they are creating this statutory authority. Now, I ask the Government to state one fact—whether the policy they have so far adopted and they are going to adopt in future in regard to questions of rates and freights which is a very vital question on which they say that the people of the country shall have no right to interfere and that the Governor-General acting in his individual judgment alone shall determine everything—I ask the Government to state whether this is not in the political interests of Britain or it is for any other object? I want to know if the very basis of their placing all orders in Great Britain for railway materials is not politics, then what? By refusing to open a workshop for the manufacture of railway engines in India is not on grounds of politics, then what? The very genesis of their constituting a Statutory Board is nothing short of politics. Sir, this political interference is nothing but a stunt—I remember when in local Self-Governing Institutions a proposal to give an address of welcome to a national leader, is passed, the local Government refuses to sanction any expense incurred on this address on the ground that it is a political interference by a local body which has nothing to do with politics. I know of instances where local Governments have compelled those members who have voted for such an address to pay the cost of expenses.

Contrast to this, when a member of the same local Self-Governing Institution proposes an address to a Governor, not a word is raised by the local authority and the funds for the expense are allowed to be disbursed by the Municipality. I ask where is the sting of political interference gone in such case? (*Hear, hear and applause.*)

I quite understand that they have sunk about 850 crores in railways in India which requires a vigilant survey—there is no doubt about it—and the present Legislature is not in a position to give due consideration at its first session of the meeting within a period of one week. In Germany, Switzerland and in South Africa there are

Statutory Boards—they are functioning satisfactorily, but the fact remains that these Statutory Boards are appointed by the Government of the people and for the people. We will be too glad if for the better maintenance and control of our railways a statutory authority is created which is composed of officials appointed by the representatives of the people and for the people with power to dismiss that authority if and when necessary. That is the main difference between the Statutory Boards in foreign countries and the one that is proposed to be imposed upon the people of this country. In Germany the Statutory Board is known as Verwaltunsgrat. There they have got besides this authority various committees, the standing committee, the finance committee, the executive committee, the technical committees and so many other committees which are permanent committees attached to the Board and which are entrusted with the work of administering the entire field of railways. What I would suggest, sir, under the Federal Government that a similar body should be appointed, but the various Railway Advisory Committees that are at present in existence, and which are 10 in number, in the whole of India, should be empowered to investigate the working of the various railways in their respective divisions. By this method they will be in a better position to judge the system on which the present railways are run and to keep an effective control and run the railways on purely business line.

Now coming to the important factor as regards the legislation of the Statutory Railway Board, the Committee in 1933, which went to England to give evidence before the J. P. C. had made it clear to the Secretary of State that if at all the Statutory Board is going to be formed, it should be formed with the consent of the Indian Legislature. I should like to quote their own words—"The statement made by Sir Joseph Bhore in 1934 in the Legislative Assembly when this question was taken up, reads thus :—'I have his authority'—that is to say, the authority of the Secretary of State—'for saying that the views expressed on the floor of this House will receive the most careful consideration before final conclusions are reached. In regard also to the important question of legislation which will be necessary in order to give validity to conclusions which will be finally reached in regard to the statutory railway authority, I am equally to say that the views expressed in this House will be conveyed to the Secretary of State and they will all receive the most careful and serious consideration.' The President of the Assembly putting this subject before the House made a statement in most unequivocal terms. He said that the Chair has been told that the object of the

sponsors of this motion and the object of the Independent Party, the Democratic Party, the Nationalist Party, and the Centre Party is ,that it, is their desire to convey by this motion their opinion that the constitution Act should merely contain a clause requiring the establishment of a statutory railway authority and that its constitution, functions and powers shall be subject to legislation, initial as well as amended, in the Indian Central Legislature."

On these grounds alone the motion tabled by the Member was withdrawn, because it was unanimously understood that the Secretary of State be informed that this Legislature will frame the laws for the statutory Board. I only want to show to this House how they have gone back upon the promise they have made that legislation for the constitution of this Statutory Board would be enacted by the Indian Legislature.

Even to-day if the Railway administration is transferred to the representatives of the people of this country I make bold to state that they would guarantee a minimum of seven per cent dividend to the exchequer of the Government of India.

Sir, in conclusion, I would only state that if it is really the intention of the Government to see that better supervision is necessary for the administration of our railways, then appoint an authority which should be amenable to the control of the Federal Government and of none else. According to the constitution proposed in the Bill the nominees of the Governor-General will be absolutely at the pleasure of the Governor-General. They will have no voice in the general administration, and they will be entirely at the mercy of the Governor-General. The Bill before us is so retrograde that howsoever restricted powers which the present Legislature possesses have also been deprived of, and we ought therefore to have nothing to do with such a measure which should be thrown away lock, stock and barrel. (*Loud applause.*)

President : The Resolution has been moved and seconded. I therefore put it to vote.

The Resolution was carried unanimously.

SAFEGUARDS AND COMMERCIAL DISCRIMINATION

Mr. Manu Subedar (Indian Merchants' Chamber, Bombay) :—

Sir,

The Resolution, which has been referred to me, reads as follows :—

"The Federation considers the 'safeguards' provided for in the Government of India Bill as being unduly rigid and the provisions against discrimination as being of such a comprehensive and sweeping character as are likely to cause abuse of power to the serious detriment of the country's industrial and commercial development.

"In the opinion of the Federation, the proposals regarding Shipping are particularly retrograde and are calculated to bar forever the development of an Indian Mercantile Marine."

This subject of the safeguards is a very vast and big subject. Its origin is also shrouded in the entire history of constitutional development, right perhaps from the beginning of 1927, when the Simon Commission came here, or even earlier. Every time this country asked for further constitutional advance and the authorities in the United Kingdom found it necessary to make such promises, the Britisher in his mind was vague enough to realise what would be the net result of these promises being carried out. He evaded his promises as long as he could and when he finds that some of these promises have now to be put into effect, he has invented what are known as 'safeguards', but are in reality threats that "you shall not be allowed to do this and if you do this, we have constitutional means of stopping you from doing that." Now I have known the Englishman to break his promises. Such breaches of promises have been referred to by the Chairman, by Mr. Shroff, and will be referred to by many in the course of this session, but I have not known an Englishman to break his threats. The safeguards I regard as a clear threat to the growth and the possibility of the establishment of a proper national government in this country. The Englishman wants to make out that there is some danger to the enterprise, which he has built up in this country. Sir Samuel Hoare has recently declared that the safeguards are intended merely for safeguarding or maintaining the principle of the British partnership. The principle of British partnership is maintained by the safeguards! I will say, with all deference,

sir, and without any exaggeration, that it is not the principle of British partnership, which the safeguards are establishing, but the principle of British exploitation in this country. (*Hear, hear*). There is nothing more ridiculous than the pose of the Britisher when he claims that he is the victim of the political extremists in India, who are attacking his interests and owing to whose attacks those interests are in grave peril. The Englishman is a master of make-shift, make-believe and hypocrisy (*hear, hear*), but I have not known a more silly suggestion, or a more ridiculous suggestion than this, that their interests are in serious peril and that in the past they have been the victims of extremists' oppression. Sir, we all know that the case is the other way round. It is the Indian business which has been struggling, which is trying to make its way, and which has been in need of some support and some encouragement. But for the great Swadeshi movement, I would like to know where our textile and various other industries would have been. If they exist to-day, it is through the deliberate sacrifice of the masses, who desire to build up an industrial future in the country, but which industries can claim and can acknowledge that their existence is due to the support, which they have received from Government in this country, and which industries can say that they were not subjected to an unequal competition by British enterprise? Whenever a Governor or a Viceroy has occasion to address words of advice to Indian commerce, what are these words: "Be self-reliant, live in an atmosphere of competition and trust in yourself." Sir, we know that Indian industry has to live, not in an atmosphere of fair competition, but of unequal and crushing competition from some of the oldest and well established British concerns with very great reserves behind them. Illustrations are many and I will not waste the time of this House by giving these illustrations. We have the shipping industry, for instance. The history of shipping in this country is that, over the last fifty years, more than fifty Indian companies have gone into liquidation and the total losses will run into crores of rupees. In Insurance to-day, what is the position? There is a nominal tariff and the British companies are offering cut-throat competition to the Indian concerns. The British companies are content to work at a small loss in the conviction that Indian companies cannot work very long at a loss and that they will be crushed. It is against this unequal competition and this position of inequality of the infant industries in our country, that we have always sought some assistance and some protection from Government. We have not received it to our satisfaction and we were hoping that, when the constitutional reforms came, the position would be righted, that, at all events, the

Britisher would no longer be a privileged party, that he would not be entitled and he would not be actually encouraged to crush Indian enterprise by his superior resources, and that Indian enterprise would ultimately get at least a fair field. Sir, I want to make out that we have asked for a fair field, and we have asked to be placed in an equal position and without an unfair bias in favour of the British. To this modest request, what reply do we get ? We get a wail from British enterprise that they are in grave peril and against the political influences in India they must have safeguards all along the line ! The active mind of the Britisher has been searching for safeguards. He claims that these safeguards are necessary in view of the speeches of the Congress men. The speeches of Congress men, we are told, are at the bottom of the safeguards. I don't think so. I will tell you, sir, what is at the bottom of the safeguards. It is the greed of the Englishman. It is the greed of the Britisher, who wants to continue to occupy not a fair position in this country, but a privileged position, even after the so-called Federation is established. (*Hear, hear.*)

Now, sir, the safeguards indicate that we have to cast our eyes a little into the future. What sort of future do we envisage for this country ? We know what the Joint Select Committee want, and we know what the India Bill, which is being rushed through in the House of Commons, desires. The provisions of that Bill are so many that I will not take up the time of this House, mentioning all these provisions, but you know how responsible Ministers in future will not have the right—not even when they are backed by the full majority of the House—in financial matters, to initiate measures without the sanction of the Governor-General. You know how, in the matter of public debt, their rights are circumscribed. You know how charges in connection with the army, in connection with the public debt and interest, and in connection with the pensions of those, who claim that they have served this country in the past, take a priority and how they could not be interfered with by the responsible Ministers. In other matters, *viz.*, the regulation of commerce—regulation, which is to-day adopted in every country in the world and which even the free trade England is now introducing in so many directions in such detail, that I was astounded to hear the other day that the Finance Member of this country had the temerity openly to preach the doctrine of free trade from the floor of the house of Legislative Assembly. However, what is good for the gander is not good for the goose. England has taught the world what is known as economic nationalism. We could learn much from the navigation laws, the corn laws and

various other steps, which England was the very first country to make use of, and which benefited her very much, so much so, that when she found she was becoming the workshop of the world, she adopted free trade. England had given up free trade, partly before the War, and substantially and completely to-day. She has been giving subsidies, she has been imposing duties running into 200 per cent. England has quotas and she is also going to have complete prohibition. The policy, which they have completely thrown away in their own country, they are asking us to adopt here! Take their agriculture. British agriculture is as backward as most of the industries of this country and yet British agriculture is being bolstered up by favourable rates and by special duties on foreign eggs, butter, vegetables, fruits and everything. I am illustrating to you all these things to show that, when an Englishman says that something is good for this country, it is time that we reflected seriously and found out whether it is so or it is not so. We have ceased to believe in his professions either of trusteeship or of advice. We have ceased to believe in 'sound advice' from that quarter. It is their own fault if they have earned this discredit in this country. I would very much rather that they got back the confidence, which at least Dadabhoy Naoroji and some others had at one time in the so-called British sense of justice. But, read the provisions regarding safeguards. Read the sections from 111 to 117 of the India Bill, laying down minute provisions about commercial discrimination, giving privileges to every person, firm, company or partnership registered in the United Kingdom, same as to a firm, company or partnership registered in this country. It is also unfair, sir, because the law in this country might require the returns of companies to be filed in a certain manner, the accounts to be audited in a certain manner, and certain reserves to be kept in the case of life assurance companies, and many other things, and you find that a British company, merely by expressing a desire to work in this country, would be able to qualify for all the privileges without any of the obligations under the Indian law. Then we are told in these clauses that this freedom to British enterprise in India will be available only in those cases, where similar freedom exists for Indian enterprise in the United Kingdom. We are given the great doctrine of reciprocity. Now, sir, since the doctrine of universal brotherhood, which the world has been trying unsuccessfully to pursue for many centuries, there is no other doctrine more deceptive than this doctrine of reciprocity. According to this reciprocity as they are trying to introduce in these clauses, I ask, which Indian firms want to go to United Kingdom and do banking business there, and which Indian firms wish to establish

electric lighting and power installation in the United Kingdom? Where is the scope in the United Kingdom for Indian enterprise and business to reach and do work? If my friend, Mr. Walchand, could assure me that we shall be in a position to take our ships and do the coasting trade in the United Kingdom, I should be very happy and I should then think that there is something in this reciprocity, but, sir, after a careful search and after several conversations with men engaged in many businesses, I am convinced that this reciprocity, which is being put forward as the basis of these sections against commercial discrimination in the future constitution of India, is a figment of the imagination of the Britisher. It is an insult to the intelligence of the people of this country and it is an eye-wash. These safeguards are being imposed on us. We have not sought them. But the Britisher proceeded carefully and he first got no less a man than Mahatma Gandhi to accept the 'principle' of the safeguards. The Britisher always puts an unpleasant fact very mildly and gets on first with the principle. Lord Irwin got Mahatma Gandhi to accept the principle of the safeguards. Mahatma Gandhi and his advisers were cute enough to sense the danger and promptly put in the formula, that the safeguards should be demonstrably in the interests of India. That formula was accepted. If I speak in a responsible manner here and desire to express what I conceive to be the feelings of this side, I am sure nobody here desires an unfair appropriation of British interests. Nobody has any desire to deny to British enterprise a full and fair field in this country. I am sure there is no attempt at deprivation or at confiscation. We are willing to convey such assurances in whatever form they are necessary and when the safeguards are to be demonstrably in the interests of India, the whole position would be that the safeguards, while safeguarding the interests of the Britisher, would not be such as to work against the interests of India. That formula has been abandoned. That formula was never revived at the subsequent Round Table Conference and, sir, nobody has yet taken the trouble to show that the safeguards are demonstrably in the interests of India. On the contrary, both in business circles and in political circles in the country, there is the unanimous feeling that these safeguards are going to cripple Indian interests in future, and, as I shall show presently, they are going also to cripple the constitution itself.

I have got an amusing story here to illustrate what I have been saying. That is the story of a Chinaman who was accused of gambling. He pleaded to the magistrate, "Sir, I know to play the game of chance. I know, my cards are marked and my dice are loaded." (*Laughter.*)

I am obliged to the Secretary of the Chamber, who is assisting his President very aptly for sending this story.

As I have said, the principle of reciprocity, which we are asked to believe, would be a very noble principle, if the reciprocity were equal, if the reciprocity were spontaneous, if our agreement had been sought out, if the Englishman had come to us and said what were his real troubles and had asked us to enunciate things, by which, while his real troubles could be ended, there should be no anxiety of the kind, which we are showing on this subject, and that there should be no crippling of Indian interests. But we find in the clauses, which I have read carefully, that no discrimination shall be made against an English concern, where the British Government does not make a corresponding discrimination. The freedom enjoyed by an Indian in Great Britain will be accorded to the Britisher in India! But, sir, there is one difference and that, to my mind, is a very important difference. That any particular freedom enjoyed by our enterprise in the United Kingdom could at any time be taken away at the initiative of the British Government if they felt that our industry, or our enterprise, was growing stronger and was growing into a menace to a similar British enterprise in the United Kingdom. In other words, I want to convey to this House that the power of initiative in reciprocity is retained by Britain. She can determine in what matters there shall be reciprocity, and if she chooses to take away reciprocity in certain matters, then alone we can take away; otherwise we cannot. If we found the British enterprise working in an unfair manner, in a cut-throat manner, using unfair resources, entering into a rate war, or doing something against public policy, creating pools and monopolies, if we found the British enterprise upsetting the whole economic life of this country, what could we do? We could do nothing, because Britain had left the door open for any of us to go and enter into a like enterprise in her own country! Now, is this a fair and equal position? What is the object of using big words, calling it partnership, reciprocity, imperial brotherhood, empire unity, and so on? Sir, I am sure you will agree with me that the time, when Indians did not know their own interests, when they were induced to believe that all this was for our benefit and advantage, and that, after all, it would not do much harm—that time has gone.

Now, having framed these safeguards in this very nasty manner and, as I said, in an unequal manner, what are we told? "Don't take any notice of these safeguards, they are a dead letter, they will

never come into operation, you need not worry about them, you just forget them." I was told, and this is the expression of an Englishman, who said that these safeguards were just like a very elaborate contract, which was made between two good and loving friends—a legal contract which was never to be opened, but put away in the safe, and which was never wanted. But, sir, I ask, if the safeguards are never to be used, if they are going to be a dead letter, if it is not the intention to use the safeguards to penalise Indian enterprise in India, or to circumscribe the hands of the Indian Ministers by economic policies in India, why introduce these safeguards at all? Why do you want safeguards, which are imposed on us, to which we object, and to evade which, I am sure, the Indian mind would be constantly working, because they are imposed, because they are unfair, and because they are not put there in consultation with us. Do we want to have these means of safeguarding British enterprise, when the surest foundation would be the good-will of the people of India? As the Englishman tells different stories when it suits him on different occasions, I, sir, do not know which one to believe. I do not know whether I should credit the assurances, which we are receiving from the highest quarters, that the safeguards are merely paper safeguards, that they will have no effect in practice. I feel extremely doubtful whether these are really paper safeguards. I know, sir, from the observation of history in other countries that, once a Federation is established, any change in the constitution of such a Federation is one of the most difficult tasks. In the initial stages, at all events, all sections join against a change of the constitution for one reason or another. Therefore it is our duty to object to all these safeguards being embodied in the constitution, as they are now being embodied, and to indicate to England, even before it is too late, that the surest foundation for British interests in this country is the good-will of the people of this country and not written directions. Sir, in spite of the ingenuity of the draftsmen, I say that, if the good-will of the people of India does not exist towards any particular kind of British enterprise in this country, that British enterprise is doomed. On the other hand, I say that, even if these constitutional provisions did not exist, if we felt that the Britisher was willing to trade, not in a privileged position, but in a fair manner, I think, with the good-will of the people behind him, his interests and his future would be perfectly safe.

One more point, sir, and that is, will the safeguards work? I have told you that one section of Britishers, particularly in their propaganda in India, are saying that the safeguards are a dead letter,

they will not interfere with the authority and power of the Ministers, and if the Ministers are of the 'right sort,' everything would be all right. This 'right sort' is another phrase, which the British rule has invented. The 'right sort' is the sort, which the Britisher likes. It is the sort, which the people of this country have not themselves selected. Nor is it the kind, in which the people have confidence that their interests are safe. All the same we are told that, if it is the 'right sort' of men, nothing will happen. I am sure, sir, none of us can guarantee what the results of the elections in future will be, but I can say one thing, namely, that the results of the elections in future will certainly be somewhat different from the results, which the Government are in the habit of receiving hitherto, and if they are different and if men come there, who feel that they are patriotic, that they are not grinding their own axe, that they are pursuing the welfare and benefit of this country, and that they have the voice of the people behind them, and if such men come as Ministers, do you think these Ministers are going to submit for the minute provisions which are being put here and which, in their entirety, would absolutely deprive them of all initiative? These Ministers would not be able to initiate a single economic policy, even if it is demanded from all quarters of India. Do you think responsible Ministers are going to submit to all this? Then what will happen? I think, sir, with all humility I would like to say this in time, that the safeguards are the beginning and are the surest method of bringing constitutional deadlocks with such frequency in India, that the constitution will break down. No constitution, which provides these safeguards, could possibly work in this country, not only because we detest these safeguards, but also because responsible Ministers are not going to allow themselves to be fully circumscribed in the manner in which they would be circumscribed under this constitution.

We, as business people, are interested in an atmosphere of peace, under which business can prosper. Sir, I am saying something, which, I am sure, has the unanimous backing of this house, namely, that we, as businessmen are primarily interested in political stability and we do not want great excitement in the country on political grounds every day, every month and every year. We would like to have a stretch of political quiet, in which businessmen can get along, because this is our nature and our interest, and this is the nature and interest of every businessman in the world. Therefore, I say that we don't want these safeguards, because they will destroy political peace, they will not give us stability in this country, and they will lay the foundation of deadlocks and political struggle every

year and every month, when the new constitution comes into existence.

Sir, much more can be mentioned on this subject, but I would like to say only one thing in conclusion. As you all know, the immediate issue of the Chairman's hospitality at this moment must loom larger than the bigger question of safeguards. (*Laughter.*) Having a peep into the future, let me say what sort of economic and political future that we want ? We don't want it to be different from that obtaining in any of the self-governing dominions of the British Empire. We want to be equal to them and second to none in the Empire, if it came to that. If that is the standard of political and economic freedom, which we are putting before us, then I say, that the safeguards are without a parallel anywhere in the world and without a parallel in any other country at present in relation to any other third country. And lastly, they are absolutely without a parallel in the British Empire. I am sure this is a point, on which in the Indian business world there are no two opinions, and, therefore, we give a warning to the United Kingdom, that, if they want the co-operation of the business people in the working of the constitution, they should reconsider the position of the safeguards, which we consider to be unjust and against which we register our most emphatic protest. (*Applause.*)

Lala Padampat Singhania (Merchants' Chamber of U. P.) in supporting the Resolution said :

Mr. President and Gentlemen, it hardly requires a long or a painstaking speech to-day to condemn the constitutional provisions regarding safeguards or to show up its real character to the public. It has been claimed for the British political genius that their constitution grows and is not made. In the case of the Government of India Bill, it is true that the British proposals regarding safeguards have been developed bit by bit tightening more and more the halter round the neck of the new constitution. In 1930, the British politicians started at the fag-end of the first Round Table Conference with a simple proposal for trade equality convention. But what a superstructure of formidable safeguards have been evolved out of it in the course of the last five years. Mr. Ramsay Macdonald winding up the second Round Table Conference said that the safeguards are simple constitutional provisions made in every political system. I challange the most ingenious exponent of British point of view to show any parallel to the safeguards in India Bill in any political

constitution of any country. The safeguards appear to me the tools which will be used by the Provincial Governor or the Governor-General under the new constitution to negative anything and everything in the wide sphere of administration and legislation whenever they wish to. With these words, gentlemen, I support the Resolution so ably moved by our esteemed friend from Bombay. (*Cheers.*)

The Resolution was put to vote and was adopted unanimously.

The Federation then adjourned for lunch till 3-0 p.m.

AFTERNOON PROCEEDINGS.

Saturday, 30th March, 1935.

The Federation re-assembled after lunch at 3 p.m., with the President, Mr. Kasturbhai Lalbhai, in the Chair.

President : I call upon Sir Purshotamdas Thakurdas to move the Resolution on "Indians Abroad."

Sir Purshotamdas Thakurdas (Indian Salt Association, Bombay) : Mr. President and Gentlemen : The Resolution which I rise to move stands as No. 5 in the main agenda of to-day. It is a fairly comprehensive Resolution, and it reads thus :

INDIANS ABROAD

"The Federation views with grave concern the persistent anti-Indian policy of the Colonial Office which, if unchecked, will ultimately cause the ruination of Indian settlers in several parts of the British Empire.

In view of the sudden adoption, some months ago, by the Government of Zanzibar of several decrees which have the cumulative effect of perpetually restricting the right of the Indian community to trade in a land where it has established itself for a long time prior to the British Protectorate, the Federation urges upon the Government of India to press for the early adoption of Mr. K. P. S. Menon's recommendations.

The Federation enters its protest against the recommendations of the Morris Carter Commission on land in Kenya, which, if adopted, will impose a definite legal ban on Indians to buy land in the Highlands.

With reference to the Report of the Colonisation Enquiry Committee regarding the position of Indians in South Africa, the Federation urges the Government of India to bring pressure to bear upon the Government of the Union of South Africa to carry out the Cape Town Agreement of 1927 under which South Africa has undertaken to treat the Indian population as an integral part of that Dominion and to assist them to advance to the level of the European population.

The Federation is emphatically of opinion that the Trade Convention of 1815 between Great Britain and the United States of America under which American merchants in India enjoy complete freedom of trade in India, whereas Indian merchants in America are subjected to various restrictions unfair as well as out of date, should be amended on the acceptance of the general principles of reciprocity now governing international relations in respect to trade and commerce.

The Federation, while being emphatically opposed to the proposed transfer of the civil administration of Aden from India to the Colonial office, urges that in any event the rights of Indians in Aden as regards trade, industry, profession or calling, should be in every respect protected and that the trade between Aden and India, in so far as industry run by Indian capital and personnel in Aden is concerned, should continue to enjoy the same protection and facilities as in India till now.''

The Resolution which I have just read out is a fairly comprehensive Resolution affecting some of the most prominent questions which have been engaging the attention of the Indian public regarding their brethren overseas. I believe the main reason why such a Resolution has been tabled by the Committee this time is because of the utter extremes to which the Colonial Office has thought fit to go regarding their policy in at least one of the colonies ; I need hardly say I am referring to Zanzibar. The various acts of omission and commission and the variety of various methods of oppression exercised by the Colonial Office and some of the Dominions in some cases over Indians who have settled down there make a formidable catalogue of some of our great hardships in the British Empire. But the case of Zanzibar is one which stands out prominently, and I take the liberty to use the word on my own responsibility, for the ruthless wickedness with which a Government acting in the name of His Majesty's Government through the Colonial Office can trample over the bare rights of Indians who had settled down before a white man ever put his foot in Zanzibar. If I were to deal in detail with the various points referred to in the main Resolution, I am afraid I would keep you waiting here very nearly till the sun sets. It is not my intention at all to elaborate on any one of these subjects which are included in the main Resolution framed by the Committee, but I cannot help saying the fact that the time has come when from India, whether it be from official India or non-official India, an un-

mistakable warning should go out to His Majesty's Government that if this treatment is persisted in, England will *by her own acts*, apart from any other merits, prove to the satisfaction of Indians that it is not any good to the Indians to remain in the British Empire. (*Hear, hear.*) Sir, those who are responsible for having given consent either in a personal capacity or in the name of representatives of the Government of India to the Ottawa agreement, appear to have overlooked completely that you can have consideration of preference for goods only when the question of equality of rights of citizenship is secured in a country. When Indians are treated, as for instance, in Zanzibar, in a manner which will require searching for a parallel throughout the civilized world not only during this century but also during the past few centuries to say that we can look on with equanimity, indeed I would say that we can look on without the greatest resentment to the treatment which is being deliberately meted out to Indians in Zanzibar and to Indians in other parts of the world, is simply to hide the truth from the world at large. The question of Zanzibar is still being tackled by the Government of India, assurances having been given to the Legislative Assembly that the Government of India hope to get Indians in Zanzibar what is due to them. Mr. Menon did not represent a non-official body, he did not represent the Indian National Congress, he did not represent this Federation, Mr. Menon represented the Government of India. This trained civil servant from the Political Department of the Government of India was sent out by the Government of India to see things for himself, to study the developments as they took place in Zanzibar, to consult the Resident in Zanzibar and to make a report. His report for a few months was not available to us. But as a result of considerable pressure from the Indian public the report was published. We have also seen the Resident's reply or rejoinder as you may call it to that Report. The Government of India cannot be satisfied with that rejoinder, and the tragedy of the whole thing comes in here. What is the Colonial Office except one branch of His Majesty's Government ? And what is the India Office and the Secretary of State for India except another branch of His Majesty's Government ? Surely either the Secretary of State takes things lying down from the Colonial Office and allows it to ride rough shod over the just rights and sentiments of Indians or His Majesty's Government turns a deaf ear to the India Office whenever the India Office is pitted against the Colonial Office. At a juncture like this the only remedy is to be self-reliant. And I think that not only this Federation, not only the Indian Legislature, but the whole of the Indian public in India have got to reconcile themselves to the simple truth—God helps those

who help themselves. If all the claims and assurances which have been put forward during the last few months by Sir Samuel Hoare in the House of Commons or by any other British politician have any meaning the injustice which has been wantonly done to Indians in Zanzibar has to be remedied and *status quo* restored in Zanzibar within the next 2 months. The Government of India will otherwise be failing in their duty to Indians abroad and would be compromising their self-respect if they did not say that India can do without Zanzibar cloves. 80% of the cloves grown in Zanzibar is taken by Indians, and Zanzibar depends upon the clove grown there. That clove industry was built up by Indian enterprise, Indian capital and Indian personnel. By a stroke of the pen, because it suited one Mr. Bartlett or somebody else the whole thing has been taken out of the hands of Indians there and has been made a Government monopoly. No more crude, no more ruthless, no more thoughtless, and if I may say so, no more wicked policy of ousting the just rights of a commercial community can be conceived either in British Empire or indeed anywhere else in the world. Mr. President, the duty lies with H. E. Lord Willingdon to vindicate the position in the way in which Viceroys in the past exercised to their credit their duty to vindicate the rights of Indians abroad. It was in 1912 that Lord Hardinge delivered his speech in Madras, throwing the mantle away and standing out in a most unmistakable manner for the aspirations, the desires and the just rights of Indians in South Africa. That speech of Lord Hardinge created a sensation in England but Lord Hardinge completely proved to us here that the Viceroy of India stood out for the rights of Indians abroad. That tradition, sir, was carried forward by Lord Chelmsford, it was reinforced by Lord Reading and further reinforced by Lord Irwin. Whatever else we may have to say about the Government of India in any other sphere as far as the question of Indians abroad is concerned from 1912 till almost to-day, or to be more precise, till last June, the Viceroys in India and the Government of India stood out for the aspirations of Indians regarding the self-respect of Indians abroad. The case of the loot exercised on the rights of the Indian commercial community in Zanzibar is the acid test of Lord Willingdon's sincerity regarding the welfare of Indians abroad. While personally I feel that Lord Willingdon would and should do everything possible, I cannot help saying this that if Lord Willingdon fails in achieving what has been indicated in Mr. Menon's report, he will be making a very bad break in the chain of Viceroys who stood out prominently for the rights of Indians abroad. I only hope, Mr. President, that before many weeks are over—I deliberately say weeks, Lord Willingdon would be able

to notify to us either that what Mr. Menon recommended in his report has been achieved or that his Government have decided or shown to Zanzibar that the Government of India can also do without some of their products from Zanzibar. The reason why I mention weeks is this : All this legislation against which we complain was introduced last June. The clove season begins somewhere about June and July. When that legislation was brought into being the Indians were ousted, and the clove marketing was done by the Government there. One season has gone. The next season will begin in next June or July. If another season is allowed to pass by, I don't think I need say much to practical businessmen here, that it will throw out the men from their vocations, and trade once diverted either from a channel or from the hands in which it is accustomed to be marketed can never be got back. I therefore feel that there are not many weeks in which the Government of India can negotiate with the Colonial Office. The Indian public opinion, and there I make bold to say, including that of the European group in the Assembly, is with us and it is unanimous on this point. It is a pity that Sir Fazli Husain who is in charge of this department is to vacate office to-morrow, but I have every confidence that his successor Kunwar Jagdish Pershad will be as firm on the rights of Indians being vindicated in the fullest degree as Sir Fazli Husain was. I myself believe that this question of Indians abroad is at the moment very closely mixed up with the solution of the Zanzibar impasse, and should that be lost to India, all I can say is, to quote the words of Winston Churchill, Government's prestige is gone for ever *vis-a-vis* the Colonial Office and Dominions. I have no doubt that Lord Willingdon will manage things to our satisfaction.

I wish to say, sir, only one word regarding sub-para (5) of Resolution No. 5 where reference is made to a trade convention of 1815 between Great Britain and the United States under which American merchants in India enjoy complete freedom of trade in India, about which we all know. I believe this handicap has been brought to the notice of authorities and I think it is only fair to say that a promise has been given that the Government of India will have this examined and will move His Majesty's Government to see that something on the lines indicated in the resolution is done—it may take a few months, but personally I think that with the ideas permeating America regarding liberty and fair dealing, it should not take us long to see that the Government of India succeed in bringing the matter to a correct solution both in London and in America.

I would say one word regarding Aden. The Federation has consistently passed Resolutions opposing the separation of Aden. For reasons which we cannot get at but which one may be able to surmise, that the War Office has been responsible for this decision, for strategic and other reasons, it has been decided that Aden should be separated. The Secretary of State for India gave an unequivocal promise that should Aden be separated, he will see that the rights which Indians enjoy in Aden now are not in the least minimised. He said this in reply to a deputation in London which was led by H. H. the Aga Khan. Aden has been built up by Indian enterprise and Indian capital, and I myself believe that the Government of India should be as careful to secure the rights of Indians in Aden as we are.

Mr. President, before I sit down I would like to say just one word on the question of separation of Burma which is coming on. Indians have done splendid spade work in Burma till now. It is both Indian capitalists in the form of Chetties in the South and also labourers who went there, certainly to earn a living for themselves, who have helped the development of Burma. I believe this is not included in the Resolution, because a separate comprehensive resolution is being moved at this session regarding Burma and the rights of Indians there. But I myself feel that this Federation ought to be as consistent and persistent regarding pressing the claims of Indians in Burma being completely safeguarded as they are anxious that the rights of Indians in dominions and the colonies should be completely safeguarded. Mr. President, I move this Resolution which I trust will be carried unanimously. (*Cheers.*)

Mr. Huseinbhoy A. Lalljee (Indian Salt Association, Bombay) in seconding the Resolution said :

Mr. President and Gentlemen, I second the Resolution so ably moved by Sir Purshotamdas Thakurdas. If Sir Purshotamdas Thakurdas permitted me to add a few words in the first paragraph although it is now too late to do so I would alter the Resolution in this way : "The Federation views with great concern the persistent Anti-Indian policy of the Colonial Office which if unchecked would ultimately cause the ruination of Indian settlers in several parts of the British Empire and feels grateful that one's country should be kept for the benefit of one's own self."

Sir, I won't insist on this addition but really speaking this is now my feeling and it is, I know, the feelings of all those who have

been residents of either Aden or Zanzibar or any part of Africa for several years and who have been vitally interested in the trade and commerce of all these places and of all those who have brought about the prosperity of these colonies which unfortunately are now going one after the other under the British Colonial administration. Sir Purshotamdas has told us about Zanzibar, and if the present condition continues we have to blame ourselves for having invited our Government there to protect our interest, believing they were our partners and would look after our interests because it would be the result of the inaction of our Government. In the same way, sir, it would be that we would be blamed if the same thing is going to happen at Aden. It is a well-known fact that Aden was captured by Indian troops sent by Indian Government to protect our interests. Well, sir, times have changed and we are realising—to say frankly that the hopes we entertained about our Government protecting us which Government calls itself our trustees are not being fulfilled. Not only that but our honour as the citizens of the Empire is also being neglected. We have known that a great war waged in South Africa for this very reason. You have known that all over the world not now but centuries passed most of the great wars have been fought for maintaining the honour of the citizens of an Empire and their trade. But what do we find ? We find that wherever the Colonial administration exists they do not feel it their duty to see whether or not the honour of Indians is respected or their trade forcibly taken away. Not only that but they do not seem to care even if Indians under the Colonial administration are driven to starvation. It is a serious thing to consider what is going to be the result if such a state of affairs continue. The inevitable result would be that we should be coming back to our country gradually having been thrown out from those colonies and we shall then be certainly compelled to say—"Please leave our country entirely to ourselves as you do not want to go out any more to earn our living." Take the case of Aden. Since 1921 about half a dozen pledges have been given in both the houses and by the Viceroys that Aden has been made what it is by the Indians and that Aden would not be separated and taken away from India. Very recently, in order to establish entirely the rights of the Britishers over Aden it was stated by the "Statesman" of Calcutta that Aden was built by British Capital and African Labour. This was the latest theory that was brought forward when the question of transfer of Aden was being discussed but what are the facts ? There are hardly five or six English firms and hardly six hundred to eight hundred African labourers in a population of about 40,000 people. Most of them are Arabs and Indians of all the communities

and neither the Arabs of Aden nor the Indians who have really built Aden and who have brought about the prosperity of that port desire the transfer of Aden. So you will agree, sir, that nothing is being left to prejudice our rights, and unless we move in the matter in right earnest they will be lost.

It has been the part of Indians to trade with the world at large. It was on account of the honourable trading wherever they went that they became successful and the people of those countries liked them. And now what is going to happen ? Somebody else wishes to come in their place and therefore we are required to be ousted out. This is in short what is happening. Again coming to Aden it was pointed out by Mr. Jadhav in the last Assembly session that Indian Government has spent or it has cost Indian Government about seven hundred crores to make the fortifications at Aden and to make it a most important commercial and strategic naval base. I ask—did Colonial Office ever come forward and say that they would contribute anything towards this enormous cost for the good of the Empire as Aden was situated on the important Empire route ? Still, sir, one of the important grounds on which the transfer of Aden is decided was to safeguard the Empire's important route. I also ask that did our Government ever ask any contribution from the Empire and if not why do they ask us to agree to the transfer which means that after spending all that money and labour you are not required there. It was said that because more liberal constitution we will be getting it is not safe to trust the custody of the port of Aden to us. Sir, we have a seacoast of nearly 1,800 miles and a port like Aden would be a great asset to protect our mercantile marine but perhaps as Mr. Walchand Hirachand is now running one of the important shipping lines on this coast it is thought proper that there is no such need. I really feel that we, as businessmen, ought by now to realise how pitiable is becoming our position and how it is very essential that we should consider these questions very seriously.

In 1815 we made treaties with America and we find that the Americans are doing Insurance and all kinds of business as they like merrily in this country. On the other hand we are not allowed to do even honest and little business in America and no one even cares to bother about it. Are we not entitled to ask the Government as to what their real intentions are ? Are we not entitled to ask our Government to see that we should be either be allowed to trade in America and other places as freely as Americans and others are allowed to do in India or if they are unable to procure this that those

who will not agree should not be allowed to trade in India. We do not wish to claim anything more than equality. I have already said that we want to trade honourably. We do not want to take any kind of undue advantage of any possession but at the same time we do want equal treatment from those to whom we are extending equal treatment. It is a fact that so long as fair dealing existed everywhere it was the Indian merchant who supplied to a large part of the world best of articles at most reasonable prices. It is only recently that outside India the mentality of fairness is unfortunately being overlooked. Whilst we are still not doing anything.

You have, sir, just pointed out in Presidential speech that we ought to have markets for our raw produces. We have had, sir, as I have just said markets for our raw produces all over the world but we are losing them. We have still a few of our own built markets but these are also being taken away from us. We trust our Government will even now consider our position and I believe we ought to place our case as strongly as possible before the Government. Will you be satisfied with about half a dozen trade agents and two or three Trade Commissioners being sent out ? Are we going to do the work which our own people who have employed themselves as businessmen in various parts for over centuries have done. I ask in all earnestness the members of the Assembly and my friends here, why they have been neglecting Indians abroad who have been and who are at present selling all the raw materials ? Are not the growers of raw materials the agriculturists the greatest majority of yourselves and I ask what are you doing to improve their and our lot. I find same about appointment of Trade Commissioners that is whenever good to the masses or some good for the agriculturist is proposed to be done I.C.S. men not businessmen are suggested to do that work. See how Japan has worked it. Help your businessmen, fight for them and promote your products and only then can you save your cultivators and yourselves and only then you can find markets for yourself. As for your reference, sir, to the growing population here again—we are a miserable people. We have not arms to fight and capture land and we are not to be blamed for it. But surely enough, we ought to train every man to be ready to take to it if necessary to defend our land and our trade. The training must be given at once and if that is not possible at least mentality must be created for self-protection and for the protection of our honour. I remember when we were discussing the question of Kenya some time back a European merchant said, "You are always underselling us." "Where ?" I said. "In Africa." "If we have undersold to whose advantage it has been ?"

I said. "It may be to the advantage of those people." Then I asked, "Are you the trustees of these people and if so you are wonderful trustees to sell your things at heavy prices to your ward!" Gentlemen, this is the reason for which we are not required there. Is that fair ? You have built up a market at Aden, you have paid for all the fortifications and you have paid freely for almost everything, and when everything is smooth and self-supporting you must clear away. That is what is going to happen with regard to Aden and so far as your country is concerned it is not only the British but even all Europeans must trade freely and enjoy freely and all should be safeguarded in every way. There is no question of British but all Europeans, remember this. And safeguarded against what ? Against any attempt by you to stop a foreigner trading in your country as he likes. I ask, is it the duty of Government to protect you or to provide safeguards to foreigners who are even given protection but who would not allow us to enter their countries, leave alone trading in their countries. Is this fair protection ? With regard to Aden, I wish to point out it is still in your hand to do something, let us press the Government to carry out the promises that that they have given only recently. The last promise that they gave in the Assembly and in the Council of State was that they shall make provision for the safeguarding of the interests of India. We find in the J. P. C. Report that safeguards have been provided for the rights of Britishers in Burma for the following reason that the British people did not think Burma would be separated from India and therefore their rights should be safeguarded now the facts are, we do not want to separate Burma nor do I think that Burmans want to separate from us, but those who want to separate Burma from India are the very people who give the above reason and provide safeguards for their interests. But take on the other hands the case of Aden. It is to be separated, not because we want it, not because the Arabs want it, but because they want it and so far as Indians are concerned no safeguards such as those provided for Europeans in Burma are considered necessary. I do not understand why safeguards are not necessary for Indians in Aden when they are snatching away a part of India, against the wishes of the people of India, against the people of the soil. Do they think we do not know the irresponsible position of the Government of India, do they really think that we could ever have been able to know that Aden was to be separated from India and that the Britisher never thought that Burma would be separated from India ? All along the English people have got their own people responsible in the Indian administration : they knew the policy they were adopting both for Burma and Aden and all along they knew their own aims and objects

for separating these from India. All along the British firms were great supporters of these charges and they must have fully known it, but in their case the plea is made that they never thought that Burma would be separated and therefore their interests required to be safe-guarded. While it is regretable that nothing has been done or said about Aden. We know the position of one Government and that is why we are put in this unfair position, which if not put right in time must affect seriously our agriculturist produce and our commerce and industry.

President : We have got a big agenda and I would request speakers to be brief in their remarks in order to enable the Chair to finish the agenda.

Mr. Lalljee : I have only one word to add. I do feel that we should insist upon the Government to make due provision for the maintenance of honour, dignity, prestige, trade and commerce of Indians overseas, and we must also tell them that we can never tolerate this sort of thing and so far as Aden Indians are concerned their trade, commerce and industries should also be preserved. *(Cheers).*

Mr. A. L. Ojha (Indian Chamber of Commerce, Calcutta) : Mr. President and Gentlemen, I have great pleasure in supporting the resolution before the house. After what we have seen in the Press as reported to have been said by Sir Fazl-i-Husain and after what we have heard from Sir Purshotamdas and Mr. Husainbhoy Lalji here, I don't think I should take the time of the house in making a long speech. I would only like to point out that in the case of Zanzibar we were established there long before these Europeans were ever heard of. Indians had not only been long established there but they had very good influence with the Sultan of Zanzibar. When the Europeans and Britishers in this country heard about the trade that Indians were carrying on with Zanzibar, they went there after taking some recommendations from here and told the Indians that they wanted to have trade relations with Zanzibar and to be there as friend, guide and philosopher and that with their military help they would protect them also. What we find to-day is this, that perhaps as in other part of the Empire, there also, they cannot compete with Indians. They do not like to see commerce and trade in the hands of Indians and that is why we are placed in this position. As it has been reported in the Press, the move in different parts of the world is said to be not only against Indians but against the Asiatics.

If India is considered a part of the British Empire and as we are told that she ought to remain a part of the said Empire I do not see why this treatment should be meted out to Indians who are also British subjects. As has been pointed out by Sir Purshotamdas, the Colonical Secretary is a part of His Majesty's Government and as you are aware he is a party in taking actions against us; what I cannot understand is this why the Secretary of State for India who is also a part of His Majesty's Government should take it lying down; it is surmised by the people that it is with the connivance of the Secretary of State for India,—an officer who is so strong while dealing with Indians in regard to Indian questions—that all this injustice is being done. I am not prepared to believe that if he so wished he could be helpless to protect the rights and privileges of the Indians in other parts of the Empire. With these words I support the resolution. (*Cheers*).

The Resolution was unanimously adopted.

EXPORT OF GOLD

President : The next resolution is, regarding the export of gold, to be moved from the Chair.

"The Federation deeply regrets the complete indifference shown by the Government of India in allowing continuous and heavy drain of gold from India, despite repeated protests from the Indian mercantile community and strongly urges upon the Government to forthwith levy an embargo on the export of gold and buy gold in India at the rates equivalent to the sterling rates of gold in London."

The Resolution was unanimously adopted.

SILVER SALES

President : I call upon Mr. Chunilal B. Mehta to move the resolution on silver sales.

Mr. Chunilal B. Mehta (Bombay Bullion Exchange) : Mr. President and Gentlemen, I have great pleasure in moving the following resolution :—

"The Federation regrets that the Government of India should continue their policy of silver sales despite the changed

outlook in the international position of silver and the gradual cessation of the return of rupees to the Government Treasury. The Federation is of opinion that as currency notes are legally convertible in silver rupees only, the Government of India should stop further sales of silver from the Paper Currency Reserves."

Gentlemen, the Resolution on silver for the last three years has been moved from the Chair, but this year the Committee at its meeting held yesterday decided that on this resolution there should be some speeches and some explanation, because only last Monday Sir James Grigg in his speech in the Assembly on the Budget discussion made some remarks about the Federation's statement on silver sales and generally on silver. With this view the Committee decided that as the annual meeting of the Federation was just at hand we should not let the criticisms made by the Finance Member remain unanswered.

We all know the history of the silver sales policy of the Government of India, and although I do not want to go into the many details of this silver sales policy, I will have to go over from the beginning in a few words so that the thread can be taken and understood by the House. The Hilton-Young Commission in its Report made a recommendation that there were surplus silver coins in the Treasury, that is, the Paper Currency Reserve, and that those Rupee coins should be melted and sold off and the proceeds thereof utilised in acquiring and buying gold. The Hilton-Young Commission suggested a gold bullion standard. For that purpose further gold acquirements were necessary, and this was one way of acquiring more gold reserves out of the proceeds of sales of silver. Along with that, there were other recommendations too, such as the Reserve Bank, 1*s*. 6*d*. ratio, gold bullion standard and so on. The Government of India began selling silver from 1927, and continued to do so, but they never acquired any gold out of those proceeds. They utilised the proceeds of the silver sales to maintain 1*s*. 6*d*. gold ratio which required a large amount of sterling balances at home, and in this way they continued selling silver without acquiring any gold. Up to September, 1931, when both India and Britain abandoned the gold standard, this policy was continued of selling silver and utilising the amounts thereof in their home charges. In September, 1931, Britain and India both abandoned the gold standard and gold exports from India began to go out in large quantities, even then the Government of India continued to sell silver.

We can perhaps understand their selling silver during the four years 1927-31 when they required sterling resources, although we do not admit that they should have sold silver for that purpose. But when gold exports began in 1931, and there were not only sufficient balances with the Secretary of State to meet all the emergencies but even a surplus, still the Government of India continued to sell silver from the Treasury. In 1927 when the Hilton-Young Commission reported, there were 85 crores of rupees in the Paper Currency Reserve, and since then owing to the depression in India as well as throughout the world, there began to come into the Treasury from the public a large amount of silver rupees which perhaps we may say were hoarded or were buried. In this way, a huge amount of silver rupees began to flow in, and Government continued selling their silver throughout. Up to now, they have sold silver to the extent of 196 millions fine ounces or, in terms of rupees, 56 crores. Over and above this, there is at present in the Paper Currency Reserve about Rs. 77 crores, while in 1927, it was 85 crores, that is, 8 crores of rupees are at present less in the Paper Currency Reserve than there were in 1927, besides a huge amount of rupees which was melted and sold in this way. Here the resolution refers to the gradual cessation of the return of rupees to the Government Treasury, but really speaking, during the last few months it is not merely the cessation of return of rupees but rupee coins have begun to go out of the Treasury and I may say that the amount of 77 crores is perhaps the lowest silver coin reserve in the Paper Currency Reserve since ten years or more.

Therefore the present position is this, that silver rupees instead of coming into the Treasury are going out of the Treasury. I will read what Sir James Grigg said on the 25th of this month, that is, Monday last. "Sir James Grigg dealt with the sales of silver and agreed with Mr. Bardoloi, but he disagreed with the Federation's objection to the sale of silver. The suggestion that there would be a shortage of silver for coinage was fantastic." I do not know what Mr. Bardoloi suggested in the Assembly and what Sir James Grigg has accepted, but I know this much that in his budget speech Sir James has spoken on the subject of silver. A few days before the presentation of the budget, perhaps—I do not remember the exact date—he placed his proposals about silver before the Standing Finance Committee of the Assembly. I am not in a position to say as to what he placed before that Committee, but he said that the Committee approved his suggestion that a fund called the silver redemption reserve be created to the extent of Rs. 10 crores, and he

also made provision for creating such a fund out of the surplus amount that the Secretary of State has at present in terms of sterling.

From the 1st April, that is, from to-morrow the Reserve Bank will come into operation, and according to the arrangements with the Reserve Bank the Government will hand over Rs. 50 crores in coins to the Reserve Bank and there will still be a surplus of Rs. 27 crores, which according to the Government policy they are going to sell off. Sir James Grigg says that the suggestion that there would be a shortage of silver for coinage is fantastic. I would point out that he has taken into consideration only one side of the picture, and that is, the return of rupees from the public to the currency. He does not feel that there will be a time when the public will demand rupees from the Reserve Bank in exchange for notes. According to the Reserve Bank Act, the Reserve Bank is bound to give rupees in exchange for notes. On the other hand, whenever the supply of rupee coins decreases with the Reserve Bank, the Reserve Bank has the right to demand from the Government silver rupees, but that right is restricted to the amount of five crores per year. What Sir James Grigg has taken into consideration is this : The Reserve Bank will tender rupees to the Government in exchange for which the Government will have to give currency notes, and there will be loss and for that loss Rs. 10 crores will be quite sufficient. But in case the public begin to demand rupees from the Reserve Bank, and the Reserve Bank approaches the Government of India for rupees what will be the situation ?

Up to September 1931, we were on gold bullion standard, that is, the Government were bound to give rupees in exchange for notes, but people had also a right to go to the Treasury and demand gold at a certain fixed rate which the Government were bound to sell to them. At that time, suppose there was loss of confidence, and there were not sufficient rupees, even then the public could go to the Treasury and buy gold and satisfy their demands, but since September 1931, the rupee has been linked to sterling and the notes are convertible only into rupees. At present the masses are accepting more and more notes because they know that as soon as they want silver rupees, they can have them from the currency department without any restriction or limitation whatsoever. But as soon as there is a situation wherein the public may feel that there are not sufficient rupee coins, that the Government would not give rupee coins for notes, then the demand for silver coins would be to such an extent that it will be impossible for the Government to meet such a demand.

Further the situation about silver throughout the world has taken a very definite and new turn since the U. S. Treasury has begun to buy silver in the world markets, so much so that China got alarmed and put an embargo on the exports of silver. The only country that can supply silver is India. Government may be under the impression that they can make notes inconvertible and carry on with managed currency as they do in England. In England at present against notes nothing is available from the Bank of England, but only note against note. But the Government here should get rid of the idea of making notes inconvertible, because in India we are not at the stage where notes can be made inconvertible. In the villages no one would accept a note which would not be convertible into silver rupees, and as long as Government has a desire that the notes should be kept convertible into rupee coins, the present stock of silver rupees of 77 crores is not only insufficient, but perhaps would require to be supplemented by further purchasing.

If we follow the daily papers now-a-days we see that Governments of different countries of Europe and perhaps America and Japan are re-arming themselves and there are sometimes talks of a war. Only in to-day's Statesman one Italian General named General Baistrocchi is reported to have said, "No one could tell when war might break out." When responsible officers of the different Governments are predicting a war, when the war may come at any moment, it is quite possible that the demand for silver rupees would come from the Indian people at any time. During the post-war boom, in one year only, 58 crores of rupees were taken away from the Treasury by the Indian public, that is, much more than 50 crores that are given to the Reserve Bank. In the circumstances, the demand of the Federation that there should not be any further sales of silver is not at all fantastic, but the policy of the Finance Member in selling silver is fantastic. Although they do not require any money, although they do not require any sterling, although there is no necessity for selling silver, although the U. S. Government is buying silver and although the silver prices are daily going up—to say that the demand of the Federation is fantastic—is taking a very wrong view of the subject. What has happened now? India has exported gold to the extent of about 230 crores of rupees, and it still goes out of the country. What about silver? Silver is also being sold by the Government. What will remain? Government do not want to stop the gold exports and they are also continuing to sell silver. In view of this situation, I think that the resolution that is moved by me is perfectly appropriate, good and proper, and Government should discontinue

selling silver any further, and on the other hand, they should keep silver in reserve to meet emergencies. With these words I move the resolution. (*Cheers*).

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay) in seconding the resolution said: Mr. President and gentlemen, I rise to second the resolution so ably moved by Mr. Chunilal Mehta. In a representation which was recently submitted by us on the question of sales of silver by the Government of India, several points were urged, but the two principal points urged were firstly that the continued sales of silver by the Government of India, particularly in view of the obligation imposed upon the Reserve Bank by section 36 of the Reserve Bank Act, should be stopped, because in view of that obligation the continued sales of silver were rapidly leading this country to a situation which this Federation cannot but look without grave apprehension. The situation has been fully visualised by my friend Mr. Mehta that at a time when the actual inflow into the currency reserves has stopped and silver has started going out of the currency reserves, it is possible that we might soon reach a stage where there might be an actual shortage of silver in relation to its demand for consumption for currency purposes in this country. The Finance Member has been recently in a mood to hit right and left on various matters, and one of the questions he has chosen to take, to hit his critics is this question of silver. He describes our estimate of a possible shortage of silver as fantastic. Well, all I can say is that the Finance Member is a recent arrival. He hazarded an estimate of the last Budget, but it did not take him many months to confess to the public of India that he was rather hasty in hazarding that statement. I should not be surprised if even a keen and vigilant observer like Sir James Grigg does not take many more months to say to the public that the estimate which he described as fantastic in the year of grace, 1935, could not be fantastic possibly 12 months later. Britishers have one great weakness and it is their self-conceit. They believe that on the surface of this earth there is nobody who can rival them in their knowledge of the conditions, whether those conditions pertain to their home land or they belong to India or to Zanzibar or to any other part of the world. Their self-conceit is so great that one of their own men recently said in the House of Commons discussing the Indian question that if God had any nationality, God would prefer to be called an Englishman. (*Laughter*). With these ideas it is very natural that a recent arrival like Sir James Grigg should feel that Indians do not know much about their own country, but that he with his wonderful grasp of the economic and financial

problems has grasped aright the silver problem of this country and that this Federation which has been in the habit of criticising finance members is only indulging in the pastime of throwing one more brick at his head. The other point which we took up in our representation, and to which I want to refer, with your permission, was that the policy of silver sales has hit this country very hard indirectly in that it has resulted in very extensive contraction of currency. The sales of silver so far since 1927 have amounted to 56 crores, and Sir George Schuster informed the Assembly last year that these sales have cost the country a nett loss of 26 crores of rupees. I might just refer to the accounting side of this business. What happens to the currency accounts is this : When silver was purchased in the past the actual cost of purchasing silver was debited to the accounts of the currency department. When silver is sold, and it has been sold at practically 30% of the cost price, there is a loss. The two sides have to be balanced. As the actual cost has gone to the debit, and the realisation is far short of the cost, something has to be done to meet the balance. That is done by creating what are called *ad hoc* securities. Government create so many I. O. Us to make up the difference. These I. O. Us are shown as securities in the currency reserves and the balance is bridged. As Mr. Chunilal pointed out, from 1927 onwards till 1931, Government searched every possible corner for raising sterling funds, and the one source they found was the surplus silver, as they called it, belonging to this country which was sold. As soon as the silver was sold and sterling funds were realised, these sterling funds were used for replenishing the completely drained treasury of the Secretary of State in London, and corresponding paper currency of an equivalent amount has withdrawn and the *ad hoc* securities cancelled ; and though the Finance Member has informed the House that there has been no contraction because of the creation of *ad hoc* securities, humble as I am, I feel emboldened as a student of the subject, to throw a challenge to the Finance Member to produce the relevant statistics before the country to show that these *ad hoc* securities were not cancelled by Government at the earliest possible moment. These are matters which are usually considered intricate and abstruse, but if I may attempt to simplify them what is meant is that a certain amount of money has been removed from the money markets of this country by this policy of deflation. This policy has been all the time dictated by the dominant consideration of maintaining the bloated value of 18*d.* for the rupee. This deflationary policy of removing money from the money markets has had the deleterious effect of causing a slump in prices and accentuating trade depression which we have been experiencing in common with

other parts of the world. I wish therefore our friends in the Assembly would pursue this question a little further, and particularly my friend opposite Mr. B. Das, would ask the Finance Member to produce the relevant statistics to justify the statement that the sales of silver have not caused contraction which in turn has accentuated the trade depression in this country. Sir, the Finance Member has only to be reminded of what happened in 1918. In that year we experienced an actual shortage of silver. Silver supplied had to be rationed, and as a college boy I have the experience of seeing people lining up in the currency office in Bombay to obtain silver for currency notes and had to go back disappointed. At that time the Government of India had sent Lord Reading to our friends in U. S. A. to secure silver for us at a dollar an ounce, and we have subsequently seen it depreciated as low as $11\frac{1}{2}d.$ in London. I hope Sir James Grigg in a wiser and farsighted moment will realise the folly of continuing in the mad policy of selling India's silver and will take an early decision to stop selling away silver as soon as he realises that it is not to the interest of India which he professes to serve to continue in this mad policy. (*Cheers*).

President: Before I put the Resolution to the vote moved by Mr. Mehta, I have a very pleasant duty to perform, and that is to introduce to you a very distinguished citizen of U. S. A. in the person of Mr. Cromwell, about whom, I believe, many of you have read in the press. He is the Vice-President of the "Sound Money League" in America. He also belongs to the "National Union for Social Justice," and whose membership runs into something like 8 million. It is by a fortuitious circumstance that we have him here amongst us to-day, and I request him to give us the benefit of his views on the silver policy or the silver question that is being discussed here.

Mr. James H. R. Cromwell addressing the Federation said :—

Mr. President and Gentlemen, I hardly need say that I feel it a very great honour to be allowed to say a few words to you, businessmen of India. I am a businessman from America, and when conditions all over the world are what we find them to be to-day, we in America suffer as much as you do in India. And this is one thing that America has learnt from the depression that despite her great wealth and power she is not independent of other nations, but on the contrary is dependent for her prosperity on the welfare of the rest of the world.

In saying a few words about silver and the policy of the Bank of England on monetary affairs, I would like to read a quotation from the very able speech of your President this morning. This is what he said—"The main objective in our case is to increase the purchasing power of the agriculturist and any scheme of re-organization that we undertake, must have this as the real and ultimate goal."

Gentlemen, our situation in America is closely related to your situation here; 50% of our exports are agricultural exports and when the international price of raw commodities declines, a third of our purchasing power represented by our farmers declines proportionately thereto. So our problem is closely allied to your problem, and we realise it. When I say we, I mean the association of which I am a member and which to-day represents over 7 million votes in America.

May I quote again from your President's speech? "For instance, the Government tried to maintain both the exchange and the price level, with the inevitable result that it had to follow a policy of extensive contraction of currency and thus allow gold to acquire a fictitious value and be exported in large quantities." And again let me quote from his speech—"When the Hilton-Young Commission recommended the sales of silver, it was with the express idea that the proceeds would be utilised to build up gold reserves." That is certainly a very precise and exact statement of the purposes of the Hilton-Young Commission. Now how did this policy affect the price of agricultural products? I will try to show you how that policy affected the price of agricultural products most directly.

I will quote from a little book which was published by the Sound Money League, of which I am an officer, and which pamphlet is now in the hands of the Congress of the United States, and I am told is creating considerable interest. Some of the accusations made in this pamphlet are perhaps not very tactful, but I do not think that this is a time for tact. Let me explain first what the precise object of this pamphlet was. The accusations made in the pamphlet are (1) that the Bank of England has pursued a deliberate policy of world price deflation; (2) that through the operation of the British "Equalization Fund" American price levels and prosperity were consciously wrecked and are still being manipulated; (3) that these policies have precipitated a disastrous international currency war, created false and dishonest values, destroyed world trade and engendered universal unemployment, privation and suffering—all pursuant to and for the profit of those selfish and malignant creditors

interests who apparently dominate the monetary policies of the Bank of England.

Now, gentlemen, I am not here to attack the policies of the British Government nor am I here to attack the British people, because I believe that the British people suffered possibly more than any other nation as a result the policies of the Bank of England, but I do unhesitatingly criticise the policy of the Bank of England,—whether this policy was adopted through stupidity or whether it was deliberate and malignant I am not here to say, but our association stands for opposition to these policies, and we propose to fight the deflationary policies of the Bank of England.

Allow me to explain just how this silver policy, also gold policy, has affected us in the United States and also every one else in the world. Bank loans, which represent over 90 per cent of American money, are created out of confidence. Confidence is created by normally rising prices and the expectation of making profits. If, therefore, the value and purchasing power of gold can be decreased, instead of increased, all other values should rise, confidence should return and our psychological modern money system should again commence to function normally. But the problem is, how can the purchasing power of gold be decreased at a time when this same confidence is at low ebb and frightened capital seeks safety in gold alone ? How can these trends be reversed at a time when the value of gold has reached an historic peak and commodity prices are sinking to 19th century levels ? So long as gold is high in London and going higher the wily British Bankers win at both ends. They sell their newly mined gold to the foreigner at a fabulous profit and buy this raw commodities at bargain prices. How can all these evils be corrected and the psychology of pessimism changed to one of optimism ?

The answer is elemental in its simplicity. It is to reverse the operations by which the Bank of England raised the price of gold. British financial interests inaugurated the gold corner by causing the Treasury of India to sell silver and buy gold, and as an inevitable result of this action, gold rose in price and silver fell. But the Bank was not satisfied with that. It added impetus to this movement. The British controlled Treasury of India, beginning in 1926, acquired a surplus silver hoard of hundreds of millions of ounces which hung over the silver market like a sword of Damocles. With the prospect of declining prices for silver, which this surplus hoard guaranteed, free capital, especially oriental funds, naturally sold silver and fled

to gold. As pressure from these sources forced up the price of gold and forced down the price of silver and other values, the flight to gold became a stampede and developed into an avalanche of commercial destruction, which has ruined all of us, in India as well as in my own country.

Since this discussion has been largely devoted to a description of the methods employed to raise the price of gold and to lower the price of silver, it must be obvious that the price and value of gold and silver are purely fictitious and can be readily manipulated. The manipulation is accomplished, as we have seen, by deliberately buying and selling the monetary metals. Not however to balance commercial transactions but to control the value of the metals themselves and thereby to affect the purchasing power of monies based upon gold.

Now, if the United States as the world's greatest creditor nation, commenced to buy silver and sell gold, the effect would be just the opposite from the Bank of England operations in 1926. The stampede of money hoarders would turn from gold to silver ; gold would tend to fall in price as the fictitious demand for it was reversed ; commodity prices would rise proportionately and as values increased entrepreneurs would become active and bankers could again grant loans on sound basis.

I do not propose to stand here and tell you, gentlemen, that the United States of America would do this with any pure and altruistic motives ; we would do it to save ourselves. And, now, what would be the effect of this plan ? Let me sum up. The chief gains to the United States consequent upon the restoration, stabilisation and equalization of our monetary metals would be as follows :—

1. Instead of wrecking domestic debtor and creditor relationships, by decreasing the value of our dollar by 50% to conform to the value of international gold, we would decrease the value of international gold by 50% to conform to the domestic value of our dollar.

2. By stabilizing the purchasing power of gold, we would establish a sound and permanent base for the issuance of currency and credit and would create a dependable international yardstick.

3. By simultaneously restoring the purchasing power of silver we would—

(*a*) double or triple the purchasing power of the savings of one billion orientals ;

(*b*) open new outlets for our goods in the world's greatest undeveloped market ;

(*c*) prevent further dumping of depreciated money merchandise by China and Japan.

4. By stabilizing the restored purchasing power of silver we would establish silver as a gold equivalent and would—

(*a*) create an effect similar to a restribution of gold ;

(*b*) add billions of dollars in value to the monetary base of the world ;

(*c*) restore world confidence and commerce to an unprecedented degree.

I think any one who is familiar at all with monetary conditions will realise that the policy pursued and encouraged by the Bank of England of hoarding gold and selling silver is one of the chief factors which is responsible for the low prices of commodities all over the world to day. If we only knew what the value of our exchange would to be from day to day think of how much more business we would be able to do with one another.

Now, I will try to keep up the American reputation for speed by making this speech as short as I can. This is a tremendous problem. It may take many months to achieve the purposes which I have described. On the other hand, it may not. I have a press cutting here which I have just received and which is dated March the 21st and the heading is "America to sell gold." It goes on to describe the efforts of the Secretary of the Treasury to sell our surplus gold. This statement is like sunrise after a dark and depressing night. Possibly it augurs the end of this depression.

I sincerely trust that the Federation will see its way to adopt the resolution which has been ably moved by Mr. Mehta and seconded by Mr. Shroff and thereby co-operate with the Treasury of the United States in its efforts to raise the price of silver and to bring down the price of gold so that we may have a rise in commodity prices all over the world. I thank you, gentlemen. (*Applause*).

President : The resolution has been moved by Mr. Mehta and supported by Mr. Shroff. It has also been very ably discoursed upon by Mr. Cromwell. I now put it to the House for adoption.

The resolution was carried unanimously.

President : I am sure, gentlemen, you would like me to say a few words to Mr. Cromwell on your behalf for having given us the benefit of his views to-day. Of course, the time being short, it was not possible for us to have his views more exhaustively, but he has said all that he had to say in a manner which has made the problem appear simpler. I hope you will join with me in tendering our thanks to Mr. Cromwell for having given us the benefit of his views. (*Loud Applause*).

President : Resolution No. 7 on Indigenous Banking is to be moved from the Chair.

I move :—

INDIGENOUS BANKING.

"The Federation draws the attention of the Government of India to the obligation undertaken by the Reserve Bank of India to investigate into the present working of indigenous bankers with a view to link them with the Reserve Bank, and requests them (Government) to ask the Authorities of the Reserve Bank of India to implement the same by an early exhaustive enquiry."

The Resolution was adopted unanimously.

President : Resolution No. 8 on Negotiable Character of Railway Receipts. I put the Resolution from the Chair :

NEGOTIABLE CHARACTER OF RAILWAY RECEIPTS.

"This Federation urges upon the Government of India that early steps be taken to give effect to the recommendation of the Central Banking Enquiry Committee to confer negotiable character upon the Railway Receipts."

The Resolution was unanimously adopted.

President : Resolution No. 9 on Rural Indebtedness is to be moved from the Chair.

I move :—

RURAL INDEBTEDNESS.

(a) **"This Federation places on record its unequivocal disapproval of the legislative measures adopted in certain provinces with the avowed object of relieving agricultural indebtedness but the scope of the provisions of which has been so extended as to enable the bigger land-holding interests to evade their lawfully contracted debt obligations to the serious prejudice of the interest of indigenous bankers.**

(b) **"The Federation further urges on the Government of India that fundamental principles of legislation on the subject of rural indebtedness should be uniform in all provinces and should not be determined without previous consultation with the Reserve Bank, one of whose main functions will be the maintenance of adequate credit conditions in the rural areas."**

The Resolution was adopted.

President : Resolution No. 10 on Income-tax. I put it from the Chair.

I move :—

INCOME-TAX.

(a) **"The Federation believes that the industrial and commercial community is entitled to full relief in respect of surcharge on income-tax and super-tax and by continuing the surcharge to the extent of two-thirds, the Government have shown little consideration for relieving the serious depression in trade and industry from which this country is suffering ; the Federation trusts that the surcharge will be completely done away with next year.**

(b) **"The Federation is of opinion that the amendment of the Income-tax law of the country with a view to providing for carrying forward of business losses sustained in any one year against the profits of subsequent years is now overdue and that Government**

should carry through the necessary legislation without delay.

(c) "The Federation strongly urges upon the Government to amend Rule 8 of the rules made by the Board of Inland Revenue under Section 59 of the Income-tax Act with a view to permit proportionately higher depreciation allowance on machinery in such of the factories where it can be proved that the factories used to work extra night or holiday shifts during the whole or part of the year, the proportion of increased allowance being the percentage which the extra night or holiday shifts may bear to the maximum number of permissible day-shifts in the year; provided always that no such increase in allowance be granted where such proportion is less than 10 p.c."

The Resolution was unanimously adopted.

Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta): I beg to move the following Resolution on Coastal Trade :—

COASTAL TRADE.

(a) "In order to develop Indian shipping and in order to enable India in future to take her legitimate place in the ocean traffic of the world, this Federation urges upon the Government of India the necessity of taking steps to reserve the Coastal Traffic of India to Indian ships by legislation.

(b) "In view of the repeated declaration of policy by the Government of India for providing for an adequate participation of Indian shipping in the coastal and overseas trade of India and their undertaking to facilitate the growth and the expansion of the coastal trade of India in so far as that coastal trade is operated by Indian agencies and through the instrumentality of Indian capital, this Federation urges upon the Government that—

(i) the share of Indian-owned and managed tonnage should be increased from 23·7% as at present

to 51% of the total tonnage engaged in the coastal trade during the next five years and that the liftings of cargo of the coast by Indian shipping should be similarly increased from about 25% as at present to 51% on the whole coast during the next five years,

(ii) as regards overseas trade Indian-owned and managed shipping should as a first step be enabled to have 50% of the services between Madras and the Straits and between Karachi and Persian Gulf Ports during the next five years and that for this purpose a subsidy or bounty not exceeding 10 lakhs of rupees a year should be given to Indian-owned and managed vessels."

I need not say much about the first portion of the Resolution as Indian public opinion has expressed itself unequivocally and unanimously on the subject during the last ten years. The principle of coastal reservation for national shipping has been accepted by almost all maritime countries of the world and was also the main recommendation of the Indian Mercantile Marine Committee which reported in 1923. This Resolution, therefore, merely reiterates the adherence of this Federation to the national demand in this respect.

In the second portion of the Resolution, the Federation desires to urge upon the Government to take immediately such effective steps as they can to increase the total share of Indian-owned and managed tonnage on the coast from about 23% as it is to-day to about 51% during the next five years. I am aware that certain working arrangements have been arrived at between British and Indian shipping companies and I do not desire in the least to depreciate or minimise the efforts of Sir Joseph Bhore, Commerce Member of the Government of India, in persuading and pressing the British shipping interests to come to some kind of agreement with Indian interests. But until the public are taken into confidence in regard to the circumstances which led to these agreements or the precise terms and conditions of these agreements, I, on my part, cannot pronounce any opinion on them. It may be that circumstances beyond their control have compelled the Indian interests to arrive at certain arrangements for preserving their very existence.....

Mr. Sidhwa: May I be excused for a little interruption? Mr. Khaitan always makes an interesting and instructive speech when

he does it extempore. May I know what is the particular significance of his reading out from a manuscript speech ?

President : It is absolutely open to any member to make his speech extempore or to read out from manuscript. If a member reads out, it only means that he has devoted thought and care to the subject and that he wants it to be very appropriate and telling, instead of vague generalities in which some members speaking extempore indulge.

Mr. D. P. Khaitan : My reason is this : Mr. Sidhwa can be able to speak on any subject extempore without previous preparation. So far as I am concerned, I speak extempore only on subjects which I properly know but on subjects which do not relate to my business or trade I have got to make previous preparation and I hope Mr. Sidhwa will not feel annoyed at my reading the speech.

I ask whether it redounds to the prestige of the Government of India that they should not rely on their own wide powers to protect and promote Indian shipping instead of merely trying to persuade, cajole, and appeal to British shipping interests to throw a few crumbs at Indian shipping interests in order to keep them quiet for the time being. I want to ask which is the more self-respecting and effective method. I know that this policy of pressure and persuation is described as one of "friendly negotiations and co-operation," but I would remind the Government that this means nothing more than that Indians would be permitted to acquire only such share of the coastal trade as the British shipping interests are graciously pleased to give up and part with of their own accord. What the public demand is not the preservation of a few struggling Indian enterprises to be kept alive through the favour and grace of British interests but the substantial participation of Indian shipping in the coastal and overseas trade of India and its definite and speedy expansion in the future. During the recent debate in the Council of State on a resolution on this subjects moved by Rai Bahadur Jagdish Prasad, Mr. Stewart, Commerce Secretary, stated that Indian shipping was developing at a reasonable rate. I understand that the increase in the share of Indian shipping during the last ten years has been hardly about 10% while Indian-owned tonnage has increased by about 1% since the recent agreements. I would, further, point out that the figure of 25% as the carriage of cargo on the coast of India by Indian shipping is even less than 20% if we take into account coal and salt carried by steamers outside the Conference as well as oil carried by oil tank-

ers. At this very time, non-Indian tonnage has not only been stabilised on the Indian coast but has actually increased as the Asiatic Steam Navigation Co. have now 80,000 tons on the Indian coast instead of 40,000 tons as hitherto. On the other hand, the share of Indian shipping in the overseas trade of India is nil. In 1933—34, the total exports from India amounted to Rs. 1,46,32 lakhs in value and imports Rs. 1,15,38 lakhs in value. Possession of shipping under the national flag is essential to the prosperity of a maritime nation in its foreign trade. Shipping is the indispensable vehicle of foreign trade. The ship is a link in the chain composed of banking, insurance, agency, etc., which binds the exporter to the importer, the seller to the buyer. Moreover, the dependent country would suffer inconvenience and loss whenever emergencies or national demands of the carrying-countries require the use of tonnage for their national purposes. Shipping is not only a vital source of national wealth but an instrument of national defence. A merchant marine is a training ground, a feeder and an auxiliary for a real national navy and would constitute a second line of defence in times of emergency. When even Sir Samuel Hoare has acknowledged that the defence of India must to an increasing extent be the concern of the people of India, development of an Indian mercantile marine is absolutely essential as a measure of national defence of the Indian Coast, without which real self-government is useless. It is, therefore, indispensable not only for the economic autonomy of the country but also for its national strength and independence. No country which has to depend entirely for the transportation of its ocean trade upon other countries can enjoy freedom of trade or certainty of the movement of cargo or reasonable expectation as to the rates it will have to pay. It is not often realised that the largest item in the export trade of England is "invisible" and is made up by shipping's contribution to the national revenue. In 1920 shipping's contribution to the country's invisible exports amounted to £340,000,000 in 1933, £65,000,000 and in 1934, £50,000,000. Conversely, the freights earned from India whose goods and passengers are carried in bottoms of other countries constitute a virtual drain for this country. I would like to ask the Commerce Secretary of the Government of India whether he considers 23% of the tonnage owned by Indians as an adequate participation and whether he considers the utter absence of Indian shipping in the overseas trade as a feature which does not require the immediate attention of the Government of India.

India having such a large foreign trade, Indians naturally aspire that this trade should be carried in Indian ships to countries like

Japan, Italy, Africa, France, America and England. We know that our economic and political conditions limit our natural ambitions. We, therefore, want that at least in the routes adjacent to India, such as Persian Gulf ports, Strait Settlements, Java and Sumatra as well as East Africa and Red Sea ports, Indian ships should be immediately enabled to ply. But international trade competition and the existence of powerful maritime interests would make it impossible for Indian shipping to cut unaided into the overseas trade. Almost all the countries of the world are, therefore, assisting the development of their national shipping by means of subsidies. Mr. Walter Runciman, President of the Board of Trade, stated in the House of Commons on 1st February last, while moving for a grant of £2,000,000 subsidy to British tramp shipping, that "the U.S.A. and France are each giving a shipping subsidy of £5,000,000, Italy £3,000,000 and Japan £1,000,000, while the Dominions had a shipping policy which was nationalistic in character." President Roosevelt has recently declared that the American mercantile marine must be developed as an integral part of the nation's economic life so that such mumber of merchant vessels as are necessary as an auxiliary to the Navy and for national defence may always be available and that no advantages along this line would be surrendered to foreign nations. He has, therefore, recently proposed to substitute flat subsidies for indirect assistance through mail subventions. The President mentioned that out of the payment of 30,000,000 Dollars for carriage of mails, the real cost, under normal ocean rates, would amount to only about 3,000,000 Dollars and that the difference of 27,000,000 Dollars was nothing but a subsidy to shipping and he preferred it to be in an unconcealed form. The advent of Fascism in Italy has opened up a new and vigorous era for Italan shipping industry. Italian subsidisation policy along with other constructive action has helped Italy to build up a well-equipped and efficient national mercantile marine. In July last year, the French Government introduced a Bill to establish a system of Government aid for French shipping on a comprehensive scale. Even comparatively smaller countries like Spain, Belgium and Holland are also considering various measures to assist the development of their national shipping and the Governments of Canada and South Africa are considering proposals to subsidise jointly a shipping line to run between the two Dominions. I might add that these subsidies which I have mentioned are apart from the construction and navigation subventions given by many Governments and even the Government of England, as is well-known, gave a loan of £3,000,000 to build the giant Cunarder now known as "Queen Mary." Apart from these subventions, the British Government

assist British shipping in several indirect ways such as by appropriations for naval reserve, admiralty subventions, mail subsidies, etc. I would, however, like to make it clear that we do not demand such colossal sums as subsidies but our request is quite modest. We demand hardly more than Rs. 10 lakhs at the start for the development of Indian shipping in the overseas trade of India. Mr. Stewart, the Commerce Secretary, replying to this point in the recent debate in the Council of State said that although Government have never ruled out the method of subsidy, it is an undesirable form of State assistance at present, because the tax-payers cannot afford it. It is a well-known fact that since 1923 till 1933, the Government of India have been paying out of the Indian Exchequer nearly Rs. 15 lakhs to the P. & O. and B. I. S. N. Companies for carriage of mails on the coast of India, Burma and Ceylon as well as from Marseilles to Bombay, Shanghai and Adelaide. It is not a secret that British shipping first established itself in Indian waters through a subsidy given by Sir Bartley Frere to William Mackinnon, a fact which is mentioned in Martineu's "Life of Bartley Frere." Moreover, when the Government of India can pay out of the surplus of Central Budget Rs. 20 lakhs to broadcasting and Rs. 93 lakhs to civil aviation, I do not see any reason at all why they cannot spare 5 to 10 lakhs of rupees for the development of Indian shipping in the foreign trade of India. In fact, the amount required for this subsidy could even be collected by levying an extra tonnage due on non-Indian shipping engaged in the coastal trade. Belgian shipping interests have recently suggested a scheme to their Government on similar lines with a view to give substantial help to Belgian shipping and it has been suggested that the fund required could be obtained by levying an extra rate of surcharge of 1% on imports and statistics duties existing on certain commodities when entering Belgian territory which is also the system in existence to-day in France. I am aware of the constitutional restrictions which would seriously hamper the development of Indian shipping by means of subsidies under the new constitution. Clause 116 of the Government of India Bill makes it impossible to grant subsidies to Indian companies without the competing British companies being entitled to the same subsidy or bounty. In other words, even if assistance is to be given to Indian enterprises in their initial stages against the competition of the long-established British interests with immense resources behind them, such an object would not be achieved because these very companies against whom protection is sought would also be entitled to claim the benefit of such bounties and subsidies. Moreover, there is a special clause in the Bill relating to shipping which will render impossible any measure of maritime

protection to Indian shipping including even stipulations regarding employment of Indian officers and engineers in ships plying on the Indian Coast and receiving mail subsidy out of Indian revenue. And this is justified in the name of reciprocity! By another clause it has been provided that a British shipping company trading with India will be considered to be carrying on business in India for purposes of receiving subsidies. I need not emphasise that all these provisions would make impossible the development of Indian industries especially when they come into conflict with British vested interests. In view of these severe handicaps as well as other provisions with respect to commercial discrimination, it is essential that the Government should declare clearly their future policy with regard to the development of Indian shipping industry. We, the critics of the Government, are often accused of lack of constructive imagination and abilities, but in this case at least all the various methods of developing Indian shipping such as coastal reservation or subsidies or licensing system, are unceremoniously rejected by the Government who have no definite alternative to propose. It is not enough for them to rely merely on the policy of negotiations and begging of favours from British shipping interests which is not in the larger interests of Indian industrial development nor conducive to national prestige. I, therefore, submit that concrete measures could and should be immediately devised after careful enquiry into the resources of the existing Indian shipping companies to enable them to carry at least the major portion of the coastal trade during the next few years as well as to carry passengers and goods between India and the countries which are adjacent to the Indian continent as a first step to the development of Indian shipping in the overseas trade of India. (*Applause.*)

Mr. V. Ramdas Pantulu (Southern India Chamber of Commerce, Madras): Mr. President and Gentlemen, I beg to second the Resolution so ably moved by Mr. Khaitan. I presume the reason for asking me to second this Resolution is to associate with it men who are not in the shipping trade, for the shipping industry is not merely the concern of shipping industrial concerns but of the nation as a whole, because the prosperity of a nation largely depends on the development of the shipping industry. Therefore I deem it a privilege to be associated with this Resolution. The demand put forward by the Mover, namely, that the share in the tonnage of coastal trade of Indian ships should be raised at least to 51 per cent in the next five years is a very moderate one. I hope it does not mean that we shall be content with anything less than 100 per cent. This

is an immediate constructive proposal put forward before the Government in order to give an opportunity to them to translate a fraction of their professed sympathy for Indian shipping trade into practical shape. I shall therefore not labour that point. I shall therefore confine myself to an examination of the constitutional position as regards India's right to develop her own shipping and the legitimacy of the provisions of the Government of India Bill in so far as they deny or restrict those rights.

I feel that there can be no doubt that the demand of India to reserve her coastal trade to herself is in accordance with the principles of international law and maritime practice all the world over. The Indian Mercantile Marine Committee appointed by the Government of India in 1923 and on which eminent British shipping authorities sat as members had definitely and unequivocally stated that the coasting trade of a country was universally regarded as a domestic trade and conceded India's right moral as well as legal for the reservation of her coastal trade to herself. Again so lately as 1931, the League of Nations conducted an enquiry into the meaning attached to the term "coasting trade" in various countries and found as a result of that enquiry that about 27 out of 31 maritime countries of the world had reserved their coastal trade to their own shipping. It is true that Great Britain has not statutorily reserved her coastal trade to herself, not because she thought that she should not do so, if necessary, but because nearly 98 per cent of her coastal trade was actually carried on by British ships and no other nation could compete with her in that field. As a matter of fact, ever since the Great War, British shipping interests have looked favourably upon the idea of the renewal of the Navigation Act, and during the last two years, there have been proposals to reserve not only the coasting trade of England, but the Inter-imperial trade to vessels under the British Flag. In 1916-17, a proposal was made by the British shipping interests—who are opposed to reservation of Indian coastal trade to Indian ships—that the coasting trade of India should be reserved to British shipping, and the proposal was referred to in the report of the shipping committee published in 1918. A proposal to the same effect was made by the Bengal Chamber of Commerce (which was and is still strongly opposed to coastal reservation to Indian vessels) in their representation to the Indian Mercantile Marine Committee. The objection is not therefore to the reservation of coastal trade of India but to the reservation of it for Indians.

This opposition to India's demand is sought to be justified on two grounds which call for examination. *Firstly*, it is said that India

is not an independent nation and any such reservation will be discrimination against British ships which fly the same flag as India does and amounts to treating differently different classes of British subjects. This objection is, to my mind, a recent invention as the coastal right of the several component parts of the British Empire, including India to reserve their coastal trade to themselves has been well established and expressly admitted till the publication of the J. P. C. Report. Section 736 of the British Merchant Shipping Act (1894) permits every component part of the British Commonwealth to regulate its coasting trade under certain conditions and I might add that the Indian Coastal Traffic Reservation Bill introduced by Mr. Haji was pronounced *intra vires* of this Act and within the powers of the Indian Legislature to enact, by the Law Officers of the Crown, who were twice consulted by the Government of India on this subject. Recently the right of full powers over the different units of British Commonwealth to deal with their own shipping has been reaffirmed as a result of the Conference on the operation of Dominion Legislation and Merchant Shipping Legislation, 1929. It is stated in paragraph 92 of the Report that the Conference recommends the removal of restrictions imposed on Dominion Parliaments in respect of merchant shipping and stated that "there was no longer to be any doubt as to the full and complete power of any Dominion Parliament to enact legislation in respect of merchant shipping." Further, in paragraph 93 the report observed that "the new position will be that each Dominion will amongst its other powers, have full and complete legislative authority over all ships within its territorial waters or engaged in its coasting trade and also over its own registered ships both inter-territorially and extra-territorially." As regards India, the Conference specifically made a mention of it in paragraph 124 and stated that "as the position of India in these matters has always been to all intents and purposes identical with that of the Dominions, it is not anticipated that there would be any serious difficulty in applying the principle of our recommendations to India and we suggest that the question and the proper method of so doing should be considered by His Majesty's Government in the United Kingdom and the Government of India." Similarly, the Agreement as to British Commonwealth Merchant Shipping Legislation duly signed and accepted by the various Dominions in 1931, provided among other things "the right to every part of the Commonwealth to impose customs tariffs and duties on ships built outside that part" and "the right of the Government of each part of the Commonwealth to give financial assistance to ships registered in that part." It also definitely empowered each part of the British Commonwealth to regulate its coast-

ing trade. The Government of India were a party to this agreement. In the face of these facts, it can scarcely be disputed that clauses 111 to 116 of the Government of India Bill in regard to commercial and other forms of discrimination and specially discrimination against British shipping violently contradict and militate against the recommendations of the Imperial Conference in regard to merchant shipping even with special reference to India. Moreover, the hollowness of the plea of discrimination will be patent from the fact that while in India stringent statutory safeguards against discrimination are being embodied in the new constitution the right of legislative discrimination has been carefully preserved by an Imperial Statute. Section 26(1) of the British Nationality and Status of Aliens Act 1914 (commonly known as the Imperial Nationality Act) definitely lays down that nothing in that Act shall prevent the legislatures or the Government of a British possession from "treating differently different classes of British subjects." Thus it must be evident that coastal reservation is not a measure of discrimination but an accepted and legitimate method of maritime protection to which India is entitled.

Secondly, it is urged that reservation of coastal traffic to Indians will be an expropriatory or a confiscatory measure. Reservation of coastal trade merely restricts the right to trade and such right is nowhere considered proprietory, not certainly for those not belonging to the country. I have never known that the deprival of a market can be legitimately described as confiscation. If that were the case, tariffs on foreign cloth involves confiscation of Lancashire's mills, protection to Indian steel industry connotes confiscation of foreign furnaces of iron and steel and prohibition means confiscation of breweries and toddy shops. We, from this Federation, therefore, want to repeat our adherence to this principle, to make it clear that we cannot and shall not accept these restrictions on the constitutional powers and rights of our legislatures to safeguard and promote Indian industries and to declare that Indian shipping like every other national industry should exist on its inherent right and not through the favour and grace of non-Indian shipping companies which have hitherto monopolised the coastal trade of India and even now have a predominent position in it. I need not emphasise at the present day that shipping is an essentially national enterprise. A nation which aspires to achieve a position in international commerce and attains economic prosperity, needs a merchant marine of its own. We feel extremely apprehensive, however, about the future position and prospects of this industry owing to the stringent and inequitable commercial safeguards embodied in the new Government of India

Bill. The attempt to justify these safeguards on the principle of reciprocity is ridiculous and hypocritical. There can be no reciprocity between British shipping, which is one of the most powerful in the world, whose tonnage is nearly 19,000,000 and which carries practically all its coastal trade, on the one hand and a few struggling incipient Indian enterprises, which altogether own hardly 150,000 tons and which carry only 25 per cent of the coastal trade. Mahatma Gandhi has rightly described it as equality between a giant and a dwarf. I, therefore, maintain that Government owe a duty to the country to state how they propose to carry out their own responsibility and keep their repeated promises and declarations in regard to building up of an Indian mercantile marine in the coastal and overseas trade of India. (*Applause.*)

Mr. B. Das (B. & O. Chamber of Commerce) supporting the Resolution said : I hope the very able and closely reasoned speech of Mr. Khaitan will carry weight with the Government of India, but as one of those who seldom believes in the *bona fides* of the Government of India, I feel that the Government of India have no sympathy for the development of Indian shipping. Recently in the Assembly various questions were asked, and the only hope that Sir Joseph Bhore gave us was that the Indian shipping companies must come to a settlement by friendly negotiations with the British shipping companies and get everything that we want. I cannot understand how the Scindia Steam Navigation Company and other shipping companies will get more coastal traffic by negotiations and also the mail subsidies which the B. I. S. N. and P. & O. are enjoying. It seems there is only one Indian shipping company, the Eastern Bengal River Steam Navigation Company, that gets a small mail subsidy. But no mail subsidies are allowed to Indian shipping companies in other waters. But what happened in the Mother of Parliaments ? Only the other day Mr. Walter Runciman, President of the Board of Trade, while speaking on the Third Reading of the Shipping Bill said that "the chief provision of the Bill was that they had made a subsidy of £2,000,000 for the assistance of tramp shipping. He further emphasised that the subsidy should not be dissipated by unreasonable competition among British ship owners, but should be utilised to secure as far as possible greater employment of British vessels at the expense of foreign subsidised vessels. British ship owners should press foreign ship owners to co-operate in order to obtain adjustment of the supply of world's shipping to the demand for shipping." Now, I want to know where the Indian shipping stands in this scheme, whether the Indian shipping will not be wiped out, or whether it

will have a quota in British shipping in the negotiations that the President of the Board of Trade is carrying on, but I am afraid that the Indian Commerce Member who is too much of a subordinate will find it a difficult task.

As regards the subsidy, the Federation has every right to claim Rs. 10 lakhs subsidy whereas Sir Joseph Bhore said that there would be no direct subsidy. If the mail subsidies are transferred to the Indian shipping companies, I think they will get the necessary incentive to carry on, particularly when we have the air mail negotiations between the British Government and the Government of India going on, and if we believe the Statesman's report, it has stated that first class mails will be carried by air mail and very likely the mail subsidies will be soon revised, although the Government of India has not so far committed themselves. Two days ago there was a question on the subject, if the P. & O. and the B. I. S. N. should get any more subsidies because they will only carry second class letters in future which can come as ordinary goods, and if these subsidies could be given to ocean going steamers, I think the Scindia has got enough of ocean going steamers, and can carry our second class and first class mails round the Indian coast. Apart from the demand of direct subsidy to shipping, the Federation should urge that the mail subsidies should not be given any more to European companies, and, sir, I would like the Federation to address the Commerce Member as well in the light of the speech of Mr. Runciman. What is the Commerce Member doing to safeguard the Indian shipping from further encroachment by British shippers and, sir, what is good for the gander is good for the goose—what is good for British shipping is as well good for Indian shipping.

One word more, and I will stop. The Dufferin Training Ship is turning out a number of young men, and unless we increase our shipping, we cannot employ them, and although a number of them have been employed in some of the shipping companies, the majority of them will not find proper employment after they have qualified themselves. That will be a problem. Therefore, we must agitate that our young boys, in order that they should have a marine mind in them, should not only be employed in large numbers in the Indian Navy, but they should also be employed in the shipping trade of India, and I entirely agree with Mr. Khaitan that it is shipping trade that brings visible and invisible wealth to a country, and the Government of India in acting as a mere post-office in the matter of development of shipping, and their lack of initiative in developing Indian

shipping, is acting as a great check on the economic position of our country."

President: The Resolution has been moved, seconded and duly supported. I now put it to the House for its acceptance.

The Resolution was passed unanimously.

President: I now call upon Mr. Amritlal Ojha to move the Resolution about Coal.

Mr. Amritlal Ojha (Indian Chamber of Commerce, Calcutta) in moving the Resolution said: Mr. President and Gentlemen, The Resolution No. 15 on the agenda has been entrusted to me in connection with the coal industry, and I have made a slight modification in it. This is how it reads:—

COAL INDUSTRY.

"The Federation records its condemnation of the policy of the Government of India in not affording any relief to the coal industry which is in a very depressed state for a long time by doing away with the surcharge on railway freight on coal and further urges upon the Government to undertake, in consultation with the trade concerned, suitable measures to give adequate relief to it."

Sir, this is not the first time that I move such a Resolution as this, which seeks to condemn the policy of the Government towards the coal trade. I therefore don't think that I should keep the House very long. The reason for moving this Resolution is that in spite of our requests year after year Government have done nothing so far to remove the difficulties experienced by those engaged in the coal industry, nor has the industry been helped by the consumers to the extent it should have been done by them. As you are aware, the prosperity of a country in modern days depends considerably on its resources of iron, steel, and coal, etc. So great is the importance of such basic metals in the national economy of the various countries that the preservation and development of these receive the most careful attention of the State and they are considered to be the key industries. In India also, gentlemen, we are glad to see that the steel industry has been and is being helped by the State. It is only this year that protection has been granted to the Steel

Industry for further seven years. I regret to note that the coal industry though one of the key industries is the most neglected industry in the country. Whenever the Government of India has been approached for assistance in any shape or form, they have turned a deaf ear to the request made by the industry. Not only this, the Government have on some occasions taken such actions that instead of helping the industry they have made its position worse. Before and during the war the industry generally suffered very much from the chronic disease of the shortage of wagons, and various representations were made to Government requesting them to remove this difficulty. During the war period it was possible for the industry to make money or at least to make legitimate profits, to make proper developments and also to build up such good reserves as other major industries did; but as major portion of the good quality coal was commandeered by the Government at a fixed price the opportunity thus offered could not be availed of. Immediately after the war again there was a good opportunity to sell coal at a profit to other countries but with a view to help the industries in the country, an embargo was placed on the export of coal with the result that the coal industry practically lost all the overseas markets. Not satisfied with this, the Government soon after the war opened a number of collieries of their own, telling the industry that they had to pay high prices and that they did not want to depend upon the industry generally. Government invested crores of rupees which, if they had spent in helping the industry instead of starting their own collieries, would have very considerably improved the position of the industry. Gentlemen, during the period of present depression when help was sought by the industry, the Government made a gift of 15% surcharge on railway freights. By doing this they made the position still worse. The surcharge was imposed only because the Government or in other words the Railways were in need of funds. During recent years the revenue having increased, representations were made by the coal industry to abolish this surcharge. The reply has been given to the effect that it is not possible to abolish this surcharge because the increase in revenue is not sufficient. It is only this year that they have been pleased to reduce the surcharge by $2\frac{1}{2}\%$ with a maximum of one rupee per ton. This is not enough to help the coal industry. Gentlemen, I cannot understand why the coal industry has been singled out for such unfair treatment. By taxing coal not only coal industry but other coal consuming industries were also adversely affected as a result of the increase in freights. It is sometimes stated in some quarters that it is due to the over-production of coal in India that the industry has been suffering. I may tell you,

gentlemen, that the total production of coal in this country is about 20 million tons, which when compared with the production of some other countries, certainly compares very unfavourably. The *per capita* consumption of coal in India is 0·05 tons whereas it is 2·48 tons in the United States of America, 3·28 tons in Great Britain, 2·96 tons in Belgium, etc. It is clear from this that there is ample room for more production. The larger collieries in this country generally increase their raisings with a view to lower the cost of production and these increased raisings are offered in the market at a cheaper price, which naturally affect the whole industry. To remedy this, the Government was approached with a request to regulate the output of coal, but as you are aware, that scheme has been turned down and Government have stated as one of their reasons for the action they have taken that for the prevention of wasteful methods of coal production, they have suggested to frame such regulations as would keep alive only the efficient and stronger collieries. The letter of the Government of India has made some of large collieries very jubilant. They have every reason to do so as they know that smaller collieries mostly owned and managed by Indians will naturally be considered inefficient. Those Indians who are engaged in this industry are merely producers, whereas European collieries are managed by big firms who are not only Managing Agents of Coal Concerns but are also Managing Agents of Concerns consuming large quantities of coals and being in such a favourable position they are selling their own coals from one department to another at a higher price and to the public at a comparatively lower price and thus take the custom away from small collieries engaged in the industry as merely producers.

While on the subject I take this opportunity to thank you, Mr. President, for the reference you have made in your presidential address, and I beg to refer to one or two points mentioned therein. I am glad to note that you have mentioned a fact that ever since the war the coal industry has been having a series of bad years whose ends does not appear in sight. You seem to be under the impression that this is due to the fact that probably in no other country the industry is so much dependent on industrial consumption as in India. I may tell you, sir, that it is only now that experiments are being made in Europe and other countries to utilise coal in producing so many other things scientifically; but up till now coal has been mainly used for industrial concerns and also as fuel for household purposes. There is a great scope for using coal or rather coke as household fuel in this country also and this has already engaged our attention.

We represented the matter to the Government and asked for their help. The Government very kindly, once in the history of the coal industry, agreed to help it by constituting a Board called the Indian Soft Coke Cess Committee, but it is very difficult to carry on the propaganda to increase the sale of soft coke in the absence of reduced railway freights. Our request was to give us a Board which would help us to carry on the propaganda in favour of soft coke as fuel and also to give us reduced freights. Government gave us one thing and turned down the other request, *i.e.*, our request for the reduction of freight rates, the result being that we have not been able to make any appreciable progress. I must admit, however, that the propaganda work carried on by the Soft Coke Cess Committee has helped to some extent and though it is difficult to say when it will help us to achieve much we are confident that it will certainly render further help.

Now, sir, I come to the other points referred to by you. "The poor off take by the railways, the depressed conditions of various industries and the diminishing bunker trade had their effects on the coal industry." With due deference I beg to place the facts before the House. The output of coal is practically the same. It had gone down last year, but again we find increase this year. The industry has to tell altogether a different tale. The railways having their own collieries and the railways being the principal buyers, consuming practically $\frac{1}{3}$rd of the total output of the country that custom has been taken away from the industry to a great extent. Next to the railways come the iron and steel industry. The principal steel works we have in India are the Tatas Works. During the boom time, immediately after the war they thought that they were going to run short of coal—whether they were advised by their experts, or how they thought so I do not know, but it is a fact that they entered into long period contracts with large collieries. This has been one of the principal causes of their not being able to take coal from Indian collieries. This action on the part of our principal steel industry indirectly wrecked Indian collieries. Not only that but the steel company, though short of funds, still invested crores of rupees in purchasing collieries, and now they have got their own collieries. Instead of drawing their own requirements from these collieries they have been selling in competition with other collieries in the market, and this hinders the coal industry to a very great extent. Next to it comes bunker to which you have referred. So far as bunker is concerned, vessels coming from outside may be less in number but here in India the British shipping companies have got their own

collieries and the principal Indian company would hardly like to take coal from Indian collieries. It is contended that coal from Indian collieries would not suit them even though that very coal is purchased by Japanese and other nationality steamers.

President : Will you kindly be brief, because there is another meeting to come off now ?

Mr. Ojha : I have got to place all the facts before the House.

It is my desire to place all the facts before you with a view to make you acquainted with them and also to enable you to help us to explore all the avenues to remove the present difficulties of the coal trade. I want to bring to the notice of the Federation the fact that though we condemn the Government for their inaction or for not taking any action it is for us also to condemn the policy pursued by the country's important consumers and to request them to change their policy so that the industry may prosper.

One thing more I would like to say, and I would not be long. The pits mouth value in this country is the lowest. Though South Africa cannot produce coal at a lower rate or cheaper than India can, South Africa can compete in this country bringing in here their coal and selling it cheaper. It is with the help of steamer companies, it is also with the help of the Government of the country that they have been able to do so. Whenever we appreach the Government and request them to put an import duty on coal and at the same time to help further we request to levy an import duty on fuel oil nothing is done. In other countries we find—I may name Germany and other countries in Europe—they do not allow any foreign fuel like oil fuel to come in and they all generally use their own coal and help their own industry in the country. You also referred to the export market. The export market we have lost due to the embargo. Before the war our export was about 1¼ million tons while it is now only about 3,76,000 tons as the figures given by you show and only last year we lost the only market that we held for years, that is —the Ceylon market which has been captured by the South African coal industry by selling coals at cheaper prices there.

With these remarks I request the Government to take some action in consultation with the industry and I also request our brethren engaged in other industries to think of the Indian coal industry and help the Indian coal industry to the extent it is possible.

Sir, I commend this resolution to the unanimous acceptance of the House. (*Cheers.*)

Rai Bahadur P. Mukherjee (Indian Mining Federation, Calcutta) :

Mr. President and Brother Delegates, not until I entered this House this morning I was aware that I would be afforded the privilege of addressing this distinguished gathering in seconding the resolution which has been so ably moved by my friend Mr. Ojha. I felt at that time somewhat diffident and I was in a difficult position. But you, Mr. President, anticipating my difficulties as it were, dealt with the subject in your presidential address in concise form and pithy words and put into bold relief the vicissitudes through which the industry is passing, and suggested means as how to counter the difficulties with which the coal trade is confronted to-day. My friend, the Secretary of the Mining Federation, has also come to my rescue and handed over a note to me, and I crave the indulgence of the House to permit me to read the note.

Gentlemen, you all know that the miseries of the coal industry, which is undoubtedly the most important national industry of the country, have begun six years before the world economic depression. you can, therefore, well realise that when in 1930, the world was feeling very bitterly the pinch of the world economic depression, the coal industry of the country was on the verge of collapse, particularly due to the alarming fall in prices of coal as a result of the record production which amounted to about 24 million tons. The prices then obtained were so unremunerative and so uneconomic that we find that up to 31st January, 1933, of 535 Indian-owned collieries in Bengal and Bihar coal fields, 243 had to be closed down. It is true that from 1931 to 1933, the raisings of coal diminished year after year, but the lack of confidence coupled with low industrial vitality of the country due to the economic blizzard, the prices could not be improved. Moreover, the trade found that the margin between the demand and the immediately available productive capacity was so wide that the industry thought that unless the State assumed some measure of control in the matter of production of coal, the future of the industry was doomed. When the industry was seriously thinking about formulating a scheme of controlled production of coal the Railway Board suddenly thought it fit to impose a surcharge at the rate of 15% on coal freight with a view to improve railway finances. Probably it was the view of the Railway authorities that when under the head of coal the revenue of the Railways had de-

creased considerably, coal should be called to pay more; otherwise when coal was least in a position to bear this burden why it should be singled out for rendering assistance to the railways. Moreover, gentlemen, it passes my comprehension that when there was scope for raising the freight rates of commodities like sugar-cane, bamboos, paper, etc., why these commodities were not called upon to pay increased freight rates? Another thing, gentlemen, which strikes me is this—when it was the intention of the railways that in any case coal should bear the brunt of the financial plight of the railways, why the railway authorities did not raise the basic rate of C. P. coal freight to Bengal scale which if done would not only have necessitated the imposition of surcharge, but would have also done away with the protection given to C. P. collieries against internal competition—a protection—to use the word of the Government, as used by them at the time of rejecting the coal output restriction scheme—which is a departure from the established principles of economics.

And, gentlemen, what is the result of the imposition of the surcharge? If you study the price movement of coal, you will find that immediately after the imposition of the surcharge the prices sagged considerably, because due to the depression the consumers were naturally unwillingly to raise their fuel bill whereas we producers had to be content with any price, be it unremunerative and uneconomic. It is true that from 1st April next the surcharge will be reduced by $2\frac{1}{2}\%$ and the maximum amount of surcharge would be Re. 1 per ton irrespective of distance. But, gentlemen, is not this very meagre reduction ungenerous and niggardly? I would, therefore, request you to support this resolution, considering the present plight of the industry. (*Cheers.*)

President: The Resolution has been moved by Mr. Ojha and supported by Rai Bahadur P. Mukherji. I put it to the vote.

The Resolution was unanimously adopted.

President: Gentlemen, before we adjourn, I would like to say that there is a meeting of the All-India Employers' Organisation at 11 o'clock to-morrow, and I, as the President of that organisation, invite you all who are here most cordially to that gathering. The Federation will begin at 11-30 a.m. There are about half a dozen important resolutions that have got to be disposed of besides routine work that will be done during the course of the day. I therefore suggest to the speakers that they might be as brief as possible and

thus assist me in disposing of the whole agenda before to-morrow evening. There is a meeting at this very moment just after we adjourn—the meeting of the Indian National Committee, which, as you know, is an organisation affiliated to the world organisation whose headquarters are at Paris. The Chairman of that Committee is Mr. Hussainbhoy Laljee. I have therefore to vacate the Chair and offer it to him and I am sure you will do him the courtesy of hearing what he has to say and allow him to transact the business of that meeting before you depart from this hall. Thank you, gentlemen.

The proceedings of the Federation then adjourned for the day, to begin again at 11-30 a.m. on Sunday, the 31st March, 1935.

SECOND DAY'S PROCEEDINGS.

Sunday the 31st March, 1935.

The Eighth Annual Session of the Federation commenced its sittings in the old Assembly Hall, Delhi, at 11-20 a.m., the President, Mr. Kasturbhai Lalbhai occupied the Chair.

The following Members of the Central Legislature attended the proceedings on the second day :—

Mr. Bhulabhai J. Desai, M.L.A., Mr. S. Satyamurti, M.L.A., Mr. K. Nageswara Rao, M.L.A., Prof. N. G. Ranga, M.L.A., Sami Vencatachelam Chetty, M.L.A., Pandit Nilkantha Das, M.L.A., The Hon'ble Dr. Shantidas Askuran and The Hon'ble Rai Bahadur Lala Ram Saran Das, C.I.E.

President : Gentlemen, I announced last evening that we shall be resuming our proceedings to-day at 11-30 : but there is no reason why any time should be lost and therefore I call upon Pandit Santanam to move the Resolution on Insurance.

Pandit K. Santanam (Indian Life Assurance Offices Association, Bombay) : Mr. President and Gentlemen, I have the honour to move the following Resolution :

INSURANCE LEGISLATION

"This Federation is emphatically of opinion that the progress of Indian Insurance Companies is being seriously hampered by the advent of many foreign companies, which has resulted in severe competition and that, with a view to protect the indigenous insurance companies, suitable legislation be introduced by the Government at an early date, and urges that before doing so, there should be a thorough investigation into the various kinds of legislation by a Committee of Enquiry on which the insurance and commercial interests should be adequately represented."

This is a Resolution which has come before you time and again ; and though it has been passed for two or three years in succession by this Federation, the Government has turned a deaf ear to it so far. At the present moment the only Act in force governing insurance

companies is the Insurance Companies Act of 1912, which was passed at a time when insurance was in its infancy, and that Act deals mainly with life insurance companies only. It practically does not deal with any other forms of insurance, nor does it lay down any rules governing the working of these institutions. It was felt in the years 1924 and 1925, that this Act was entirely unsatisfactory and that an amendment was urgently called for. The Government of India circulated the draft Bill in the year 1925, and invited the opinions of the Chambers of Commerce in different provinces and the various life insurance and other insurance companies; but we have heard nothing further about it. The matter was allowed to drop. After that, some private Bills were introduced in the Assembly, but they never came up for discussion. As I said before, the Federation passed a Resolution of this kind two or three times, but nothing has happened. In the year 1930 or 1931—I do not remember which—Sir George Rainy who attended a meeting of this Federation, when this Resolution was moved, said that as the Round Table Conference was going on it is better for the Government not to take any action at that moment because the question of discrimination was involved in this, but that the Government will take it up at an early opportunity as they realised that insurance legislation was urgently called for. It is very difficult to understand where the question of discrimination comes in in this at all. There are certain subjects which are universally admitted not to come under the class about discrimination because each nation is allowed to give special facilities for its own nationals. In the International Conference at Geneva, certain rules safeguarding against the discriminatory treatment of foreigners were considered necessary, but it recognized that there are some spheres of activities, such as insurance, coastal trade, state services and monopolies which every nation can reserve for its nationals. It is really very strange indeed if the Government thinks that legislation brought forward for the benefit of the indigenous concerns will in any way come under the discriminatory clause. But there is another aspect of the matter. If there is discrimination at all, and if they want to protect British companies against discriminatory legislation, there is nothing that they can say against the colonial and the foreign companies that are operating in India without any let or hindrance. Gentlemen, you are aware that the present industrial fabric all over the world is built up on insurance. Without insurance, the industrial development that has taken place would be impossible. The mass production and distribution of the products all over the world would become impossible unless there is insurance to protect against the fire and marine risks and against the accidents of

all other eventualities, and apart from this, the Life Insurance Companies are accumulating a very large amount of capital. It is estimated that the Life Assurance Companies of the world to-day have about Rs. 9,000 crores which they have accumulated, and this represents the surplus wealth of the country—the margin between the earning capacity and the expenditure of the nation. It is, therefore, considered by every Government that these huge reserves ought to be utilised in such a manner that they will be for the benefit of the country and that they will help the industrial and the commercial expansion of each and every country. It is a fact that in America, Canada, Great Britain and several countries of Europe the insurance companies have been instrumental in starting, and fostering, the growth of many industries. Without the help of the insurance companies, any large scale industry cannot thrive because it will not find a sufficient capital from the public at large. India has been an exception in all these respects. Not only has the Government not taken any steps to foster the growth of Indian companies but, on the contrary, they have, by not framing any regulations, given a free scope for the foreign companies to work here, thus stifling the growth of the indigenous concerns. If it were a fair competition, one could very well understand, but most of the competition is unfair because these foreign companies, whose resources and standing are entirely unknown, are allowed to come and spend any amount of money here with the idea of capturing the market and ousting the indigenous concerns from the market if possible. If there had been a national Government, alive to the interests of the nation, I am sure this state of things would not have been allowed to continue for such a long time, but unfortunately we find that the Government is entirely apathetic to the matter. It becomes extremely necessary, if our industry ought to prosper at all, that we must ask for legislation protecting us from unfair competition against so many foreign companies. That every country takes action in this regard is probably not within your knowledge, but I can inform you that almost every country in the world has taken the necessary steps in this direction. In this way Sweden has been able to confine practically the whole of its business to its home companies, and for the 52 millions of fire premium, the share of the foreign companies hardly came to 9 millions. The French companies are so powerful that in their own field they are unrivalled. In all treaty agreements they insist upon a clause preventing foreign companies opening up offices in France for direct business during the currency of the agreement. Germany is so careful in retaining all the insurance premium to herself that she makes it a condition in all trade agreements that

insurance should be with German companies. Brazil has passed such strict laws under which it has become impossible for any foreign insurance company to enter that tiny country. Argentine has not been slow in protecting her companies, and stricter laws have been passed which adversely affect all foreign companies. Turkey has gone a step further in protecting her national concerns so that foreign insurance companies have automatically ceased to do any business. Spain has passed laws in regard to taxing foreign companies so that the latter are assessed on the profits of their entire business instead of on Spanish business. That wonderful neighbour of ours—Japan—has developed her insurance business in such a remarkable manner that to-day 50 Japanese fire insurance companies control all the fire insurance business of Japan, and so on and so forth. Recently Mexico has passed a law restricting the operation of foreign companies and preventing them from giving high bonuses on their total business but only on the business which they do in Mexico, so that they will not be able to offer very large bonuses on the basis of their total business and thus compete unfairly with the Mexican companies. Our position in India to-day is exactly similar to the position of Mexico. We find that foreign companies, especially life insurance companies, are coming here and spending vast sums of money and giving very high rates of commission and giving rebates across the counter to persons who insure, thus making it impossible for us to work if we are to compete with them at all successfully. The cost of procuration and the cost of management of these foreign companies have become so high that I can challenge them to have a valuation done of their business in India and show any surplus at all much less be in a position. On the contrary there will be a very huge deficit. I know as a matter of fact that some of the foreign companies are spending as much as two to three hundred per cent of their premium income of the first year. It is not possible for any Indian company to do business on similar lines. We have got no business outside India, and if we do any business outside India, it is only in those places where there is an Indian population settled, and we do our business amongst Indians more or less exclusively. We are faced with this problem that in India the foreign companies are coming and making it impossible, by the conditions of business which they do, for us to do our business on an economic basis. Unless we take steps, it is almost certain that our progress will not only be seriously hampered but we might absolutely cease to make any profits at all. The other day, certain figures were given in the Legislative Assembly showing the progress of Indian life assurance companies. What does this progress amount to ? All that it amounts to is that we are

doing about 70 per cent of the total business done in India, but the premium income that we have comes to only about fifty per cent of the total. That means that foreign insurance companies are taking away fifty per cent of the premium income from India, and they do not make it available for the Indian industrialist, so that money becomes rather scarce in this country for any industrial or commercial expansion. If you will realize what a great drain there is of the wealth of the country, you will understand why it becomes increasingly necessary that protective legislation is urgently called for in this insurance field. It is estimated that in the shape of life and fire insurance premium, the foreign companies take away each year as much as Rs. 10 crores to Rs. 12 crores. That means to say that every year there is a drain of Rs. 10 crores to 12 crores from India, and you can very well understand how it is very difficult to make up this drain by any other means. Gentlemen, this Resolution has, as I said, been before you several times. The Government of India recently appointed a special officer to overhaul this insurance legislation, but our demand is that such a special officer is neither competent nor able to make the necessary changes in the insurance law. If we are to find out what are the requirements for fostering this industry in India, it is extremely necessary that a committee of enquiry should be appointed. We are quite aware that a committee of enquiry means postponing legislation for some time, but at the same time we feel that, unless there is a committee of enquiry, this matter will not be threshed out in all its aspects. All the various forms of insurance will not be brought under review, and legislation on proper lines cannot be brought forward at all. You must remember that in England, when they found that their insurance laws were antiquated and they wanted to revise it, they appointed a committee of enquiry which examined practically about 300 witnesses, and it took about a year and a half to make its report and it not only made its report but it presented also a draft Bill for adoption by the Parliament. Some such procedure is necessary, simply because very often our case has gone by default. We want to have an opportunity of presenting our case in all its aspects, and of pressing our claim for protection; and if unfortunately the question of discrimination also comes in, we want to do all that we can according to the circumstances; that is, if we cannot discriminate against English insurance companies, we want protection at least against the colonial and foreign companies. You will be surprised to know that to-day Italian, French, Spanish, Chinese, Japanese, Canadian, Australian, South African companies and many others are operating here in India. Our people are so credulous that, without knowing

the financial resources and backing behind these companies, they are still willing to insure with them. You are also aware that Germany has recently passed a law by which they prevent any capital from being taken away from Germany. Please consider what is the position of those people who are insuring with German companies to-day. If any big claim arises, then no money can come out of Germany, and yet what will happen to those people who have got claims against them? Our people are not aware of all this. Our country is a country where there is not widespread education so that people are not able to look after their own interests; and even in the case of countries whose people are fully alive to their own interests like America, Canada and Great Britain, still there is legislation regulating the working of these companies, so that the nation as a whole may benefit. It is for these reasons, that we lay great emphasis on this matter, and we feel that the time has come, if India is to advance at all industrially and commercially, when it is very necessary that the insurance industry must be so safeguarded that the growth of Indian companies will become an absolute certainty. It cannot be left to chance; it cannot be left to mere private enterprise, because this is a matter in which private enterprise cannot do all that is necessary. It is for these reasons, gentlemen, that we ask you to pass this resolution; and we say that a committee of enquiry should be immediately appointed, and legislation drafted thereon for being passed by the Legislature. Before doing that I wish to make one appeal to this House which represents, all the best commercial and industrial interests in India. The greatest drawback has been that our biggest industrialists and commercial men have not realised what harm they have been doing this country by not patronising the Indian concerns. They are the greatest sinners in this respect and I know how many of them are insured with foreign companies. They are probably unaware that insuring with Indian companies, though the Indian companies might have only a small capital, is quite as safe as insuring with these bigger companies, because very often the risk carried by the Indian companies is so small that their money is quite safe. By insuring with Indian companies they are helping the Indian companies to prosper and they can only prosper if you make it a point of insuring with Indian companies. I therefore appeal to you not only as regards fire, marine and other risks but also as regards life insurance. Here again very many of our people have got a partiality for these foreign concerns about whom they know nothing and over whom they have no control and somehow there seems to be a magic in the word 'Foreign' with them. You at least who are intimately connected

with the industry and commerce of this country and who desire that Indian industry and commerce should thrive should take it to heart and make it a point in future that you will not place any insurance with any foreign concern whatsoever. Indian concerns are quite good. They have improved a lot. They can hold their own with foreign concerns, provided there is no unfair competition and provided the sense of patriotism amongst you is so strong that even at a little sacrifice you will patronise your own concerns. With these words I commend this Resolution for your acceptance.

President : As we have got a big agenda, I would ask members to be as brief as possible in their remarks.

Mr. J. C. Setalvad (Indian Insurance Companies Association) : Yes, sir, I will bear your remarks in mind. After the able way in which Pandit Santanam has moved this Resolution there is very little for me to say in connection with Indian Insurance Companies and the protection we desire for them from the Government of India. I am actively engaged in conducting life and general insurance business for the last 20 years and our main problem day in and day out is to fight foreign competition. Since the year 1920, we were faced with competition from a group of companies who came from Java to procure business at any cost in India. After a couple of years we had a group of French Companies which came over to India with a view to get business at any cost. Of course they did not succeed very much with the Indian Insuring Public but they did the mischief before they retired from the country. They went to a majority of our clients, both commercial magnets and people in charge of Textile Mills and offered them terms which were uneconomical. What was the result ? We the Indian Companies had to put up our commissions to retain our business and our margin of profit has been dwindling from year to year. After we had some breathing time from this French group of Companies, now we have to face the competition from German and Italian Companies who have come to India during the last few years and every big client of the Indian Company is being approached. Each sub-agent and agent is being approached and chief agency is being offered to them, not on reasonable terms but on terms at which it is not possible for any Indian Company to make profits for its shareholders. These are the reasons why we ask the Government of India to come to assist us in fighting this cut-throat competition. I have not great hopes of any response from the Government even at this stage, because since 1924, we have been pressing them to undertake In-

surance Legislation for the protection of Indian Companies. As a matter of fact, some of us who are interested in Indian Companies got a private Bill introduced in the Assembly by Mr. Jamnadas Mehta and what was the answer given to us by the Government at that time. They told us that a Committee of Inquiry was set up in London in connection with Insurance and after their report they will undertake Legislation in India for Indian Companies. That report has been there for the last three years and more and nothing has been done. Perhaps they had a definite object in view in not moving in the matter. They knew that under the New Constitution, it will not be possible for the Indian Companies to claim protection against British Companies operating in India. So even today after three Round Table Conferences, I have very little hope of the Government of India undertaking any legislation unless a private Bill is introduced by some of our representatives in the Assembly, and we are doing our best to get a private Bill introduced in order to force the hands of the Government to do something before we are wiped out and it will be interesting to see as to what support we get from the Government in the matter. I will give you an example of a big British Company which claims to control $\frac{3}{4}$ ths of the business in England as far as life business is concerned. A few years ago, they issued fresh capital at a great premium and the Chairman at the annual speech said to the shareholders that the premium which was received on the new shares which amounted to a million Sterling was to be spent mainly in India to organise that Company's Life Business in India. Gentlemen, you can just imagine the position of Indian Companies operating in India. Every chief agent and every sub-agent was approached by this Company and they offered terms to our workers which were fabulous. Our sub-agents became their chief-agents and cheif-agents became branch managers on very handsome remuneration. You will agree with me that in these circumstances it is not possible for any Indian Company to make any headway. There are other handicaps in the way of Indian General Companies. It is very difficult for an Indian Company to have its policies accepted by British Exchange Banks except for a limited amount and this comes in the way of its natural development. If I have a big client in Bombay dealing in cotton on a large scale and if my policies go in one of the exchange Banks, it accepts them for a couple of lakhs only and other policies are turned down. The net result so far as my company is concerned is—I lose the patronage of a very good client who is very anxious to help me and my Indian Company. I think the Government can do a lot to assist us in this matter. Of course we took up this matter before the

Banking Inquiry Committee and the Exchange Bank representatives who appeared before the Committee gave an assurance to the Indian Members that they would do their best to give facilities to the Indian Companies but I am sorry to say that there is no change in their attitude even to-day. I make bold to say that this attitude is not based on financial considerations but on the only consideration that the business which is the with the British Companies at present should not be allowed to go to the Indian Companies and this is one of the ways by which they see that the business is retained by the British Companies and is not transferred to Indian Companies. You will agree with me that this attitude is not based on financial considerations. How is it possible for an Indian Company to develop its business when an Exchange Bank gives an aggregate limit of two lakhs for the whole of India. After my Company has given to the Bank a Policy of 2 lakhs on a godown in Bombay it is not possible for my Company to get any facility from that Bank for further insurance in Bombay, Calcutta, Lahore and Madras. As I put it humurously to the Manager of an Exchange Bank whom I had the pleasure to see and discuss this matter: Why don't you put up a Board and say "Dogs and Indian Companies Policies not admitted." He told me plainly that so far as the Exchange Banks are concerned they will do their best to see that business from British Companies is not transferred to Indian Companies. I mention these facts before you because some of you who are big clients are having dealings with the Exchange Banks and you can assist us a lot in this matter. I had an occasion a few years ago to face all these difficulties which arose with one of the Exchange Banks and I am glad to say that a strong attitude on the part of my client induced the Exchange Bank to accept my Company's policies for large amounts. I am glad to say that the firm was the firm of Birlas in Bombay. So I appeal to you to assist us in solving our difficulties. All over the world wherever the indigenous companies have made any progress they have made their progress due to the protection which has been afforded to them by their respective Governments and it is absurd to say or contend seriously that no protection is necessary for Indian Companies. Some time ago we had an exchange of views with some of the British Companies' representatives in India in connection with Insurance Legislation and also with the Managers of Colonial and Italian Companies. A representative of an Italian Company said: You are discussing legislation for Indian Companies but I am not giving away any secret when I tell you that my Government has been assured by the Government of India that no sort of legislation will be undertaken in India which will be detrimental to the interests of Italian

Companies operating in this Country. If there is any truth in this report, I fail to see how it is possible for us to get any assistance from the Government of India. We are thankful to the Chairman for giving us an opportunity to move this Resolution in this Session. I thank him for that on behalf of the Indian Insurance Companies and I trust that with your co-operation and that of the commercial and industrial interests of India we will be able to get what is due to us and see that we get our legitimate share of the business that is available in our own country for Indian Insurance Companies. With these words, I commend the Resolution to your acceptance.

Mr. S. Bagchi (Indian Insurance Institute, Calcutta) : I have great pleasure in supporting this Resolution which has been so ably moved by Panditji and seconded by Mr. Setalvad. In this connection I would quote an observation made by the 'Friend of India,' I mean the 'Statesman,' nine years ago. This is what the Statesman said in its issue of the 26th October, 1926.

"One great drawback to assuring with a Foreign Office is the possibility of difficulties arising in case of war between Great Britain and the country of the company with which the policy is effected. The Company may have the most honourable intentions of fulfilling its obligations in their entirety to its policy-holders, whatever their nationality might be but their hands might be tied by their Government in such a way as would prevent them from giving effect to their wishes. The representatives of British Companies in neutral countries found themselves in a very unpleasant situation during the late War by reason of the fact that they were prohibited from making payments of any description to policy holders whose nationality was that of a country with which we were at war—an eventuality that had not been foreseen either by the offices or by the many Germans and others who had confided their interests to British offices and paid their premiums, in some cases for many years, with due regularity. Many cases of individual hardship were thus created which the company would have been willing to avoid but they were powerless to do so. All this points to the advisability of people effecting their assurance policies with companies of their own nationality."

Nine years ago the Statesman said this. Sir, Insurance is as much a key industry as iron and steel, and if iron and steel can have protection, Indian Insurance should have it all the more. As it has been said by Panditji that every civilised country enjoys it, there is no reason why the Government should deny the same pro-

tection to Indian Insurance. I would therefore request this Federation to bring all its influence to bear upon the Government for the protection of Indian Insurance. With these words I resume my seat and beg to thank the Chair for giving us the opportunity of moving this Resolution.

The Resolution was then unanimously passed.

Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta): Sir, I beg to move the following Resolution :—

CULTIVATION OF SUGAR-CANE

"The Government of India having imposed an Excise Duty of Rs. 1-5 per cwt. on sugar manufactured by factories operating by the vacuum pan process, this Federation is of the opinion that more rapid and intensive steps should be taken by the Central Government through the Imperial Council of Agricultural Research and by the Provincial Governments, to raise the standard of cultivation of cane, both as to quality and quantity, by the establishment of cane nurseries in all cane growing provinces, in which canes of high sucrose content and early and late ripening varieties would be propagated for wide distribution to the ryots for seed, by the dissemination of information as to best methods of cultivation, manuring and irrigation by the extension of the canal system or assistance in well sinking, by research as to methods of combating cane diseases and pests, and by the provision of better roads, so that cane cultivation costs may decrease, and production increase, for the benefit of the ryot and the sugar manufacturer, enabling the industry to compete effectively with foreign countries before the period of protection to the industry expires. The Federation considers that a fixed percentage should be allotted annually for these purposes out of the proceeds of the Excise duty on Sugar."

Sir, happily this is a Resolution which if carried into effect by not only the Government of India but the provincial Governments as well would redound to the benefit not only of the sugar manufacturer but also of the cultivator and the consumer. It is no doubt the objective of all that efficiency should be increased both in cultivation and in manufacture in order that we should be able to compete with foreign countries without the existence of any protective duty. It

is thought by a large number of friends that the sugar industry is not satisfied with the large amount of protection that has been given to it, but it is not remembered what differences there exist between the conditions in India and the conditions in Java. I will just shortly explain to you these differences which will bring home to you why it is necessary that protection should continue in India in order that the sugar industry may continue to exist and sugar cultivation may continue to give good qualities of cane. In Java the amount of sugar that is produced per acre of land is as much as 6 tons of sugar whereas in India the amount of sugar that we get per acre of land is only about 1 ton. Furthermore, whereas the Java manufacturer gets cane only at 2 annas per maund, we have had to pay this year as much as about 7 to 8 annas per maund of sugar-cane. In Java the percentage of recovery is as much as 12 per cent, whereas in India, except in the Bombay Presidency where a better quality of cane is produced at a higher cost of cultivation, in U. P. and Bihar the manufacturer would be happy if he got as much as 9 per cent over the season. In these circumstances you will naturally find that the cost of production of sugar in India is much higher than the cost of production in Java ; and so long as the conditions of cultivation of sugar-cane continue as they are at present, the industry if it is to live will not be able to do without protection. This point is very ably summarised in one sentence in a book written by Mr. Gandhi, "Research in Sugar Problems," and I will read that sentence to you :

"If 40 tons of cane be obtained per acre, leaving alone 50 as in Java, where cultivation is very intensive, and even $2\frac{1}{2}$ annas per maund be paid for cane the grower will still receive about Rs. 170 per acre, which will be tantamount to about 6 annas per maund of its present yield of 16 tons per acre. He will thus be benefited. Similarly if the percentage extraction of sugar can be increased even to 10 per cent (not to speak of 12 per cent as in Java) then with cane at 2 or $2\frac{1}{2}$ annas per maund the factories would be able to sell sugar at a rate of about Rs. 4-8 per maund." (This is of course excluding the excise duty). "If this hope materialises, the consumers will be greatly benefited, consumption will be stimulated, and the possibility of exports to foreign countries will also be thrown open."

Now, sir, it is quite obvious that it is very necessary to see that the conditions of sugar-cane cultivation should be improved in India. It is quite true that in the beginning better varieties of cane were introduced in India and they were rapidly adopted by the cultivators,

but after that improvement has been effected, no further improvements are being made. In fact the 7 lakhs of rupees which the Government of India pay to the Imperial Council of Agricultural Research is, I am reliably informed, spent only on the development of co-operative societies, and serious attempt is not being made to improve the quality of sugar-cane or to make investigations as to what diseases came into existence in the season that has just expired and by what means those diseases can be cured. In fact these are matters which should be seriously undertaken by the Governments of all the provinces in co-operation with industry and agriculture. We find that the Government of India are able to pay huge sums of money for wireless and for the development of civil aviation but when it comes to a point of asking for money for the improvements of the conditions of agriculture and for the improvement of conditions of manufacture, we find that the Government of India are very reluctant to do so. My friend Haji Abdoola Haroon took up this question seriously in the Legislative Assembly but so far the Finance Member has only said that money is being spent through the Imperial Council of Agricultural Research. That amount is certainly very small and, as I have already said, most of that money is being spent only on the development of co-operative societies. I have had talks with some Directors of Agriculture in some of the Local Governments and they said that they have schemes ready but they cannot carry them into effect for want of money. So far as the industry is concerned, they have already been burdened with an excise duty, and the excise duty was levied just at a time when the industry was seriously contemplating to take steps for the improvement of agriculture. The industry is not now left with profits which they can spend on the improvement of sugar-cane cultivation nor is this a matter on which reliance or dependence can be placed only with manufacturers. There must be co-operation between all the three classes concerned, the Government, the manufacturer and the agriculturist. And I hope, sir, that this Federation will lend its weight to the demand of the industry upon Government that serious steps should be taken by Government by giving money and by lending the assistance of their provincial staffs to improve the condition of sugar-cane cultivation.

Seth Haji Abdulla Haroon (Indian Sugar Mills Association, Calcutta): *I whole-heartedly support the Resolution moved by Mr. Khaitan. Sir, if you look to it you will find that, as my friend

*Speech not corrected.

told you, Government have granted 7 lakhs every year to the Imperial Council of Agricultural Research. And what is their recovery? I think many of you know that last year Government recovered as excise duty no less than 125 lakhs and they got from the import duties no less than 375 lakhs; that is, altogether Government got 5 crores of rupees from sugar whereas they granted only 7 lakhs. My friend Mr. Khaitan has already told you about the production and the recovery in Java, but I beg to inform the House that Java also 30 or 40 years ago was in the same condition as India is to-day. But with the co-operation of Government and of the industry itself they improved the method of cultivation of the cane and improved the recovery by scientific methods. If the Government of India come forward with more money and hand it over to the provincial Governments, the industry can be improved and the consumer can buy sugar at cheaper rates. Sir, at present the condition of India is this that all the poor cultivators who have an acre or 2 or 4 acres are cultivating by their own methods. They have no education, no capital; they are already indebted to the money-lenders. How can we expect to get a better quality and quantity of cane from these people? I suggest to Government that they should at least give 25 per cent of the income from the excise duty to the provinces which are manufacturing or cultivating sugar-cane. Government should come forward with a large amount of money and hand it over to the provincial Governments; the provincial Governments should in their turn come forward to supply good seed to the cultivators and provide irrigation facilities, and on the top of that they should employ a staff to give all sorts of information to these poor cultivators as to how to protect the cane and so on. At present these cultivators are getting seed from wherever they like, whether they are diseased or not, good or bad; and they are cultivating that seed in their land. How can we expect to get good recovery from that cane? Last year Government fixed 5 annas per maund of cane, but I find that some cane is hardly worth 2 annas according to the recovery of sugar and some cane probably worth 7 annas, but we are giving 5 annas for the lot. If the industry remains in this condition I do not think there is any possibility of taking away the protection for the sugar industry. That will do harm to the country and to the consumer and we cannot expand the consumption of sugar. The present mentality of the Government is this: This year they had a surplus revenue of Rs. 375 lakhs: but without consulting the Chambers of Commerce or the Assembly members or any public body they sat on their big throne and distributed the amount like a Great Moghul as they pleased—some money to broadcasting, some money to aviation and some to

rural areas and so on : I do not know how far they are correct in doing things in this fashion. If they had consulted the commercial community or the members of the Assembly they might have suggested other ways of disposing of this surplus, whether government accepted such proposals or not : but I say they must take people into consultation in these matters.

I do not know much about many industries, but I know something about sugar ; and unless the Government will agree with the sugar industry and devise ways and means to improve the quantity and quality of sugar, there is no chance for the industry in this country. It is very difficult to produce all the requirements of the country unless and until the sugar-cane is improved. With these words, I support the Resolution.

Mr. M. L. Dahanukar (Maharashtra Chamber of Commerce, Bombay) : Mr. President, I must thank you for giving me an opportunity to speak on this Resolution although my name is not on the list. The sugar industry has now been established in this country ; crores of rupees have been invested and it is now in the fitness of things that the Government should help the growing of sugar-cane. The previous speakers, Mr. Khaitan and Seth Haji Abdulla Haroon, have already explained the whole case : I want to add only a few words about the circumstances existing on our side.

On our side, we do not get sugar-cane for crushing purposes : we have to grow our own cane after getting land for that purpose, and all other arrangements require to be made. The canal system is there provided by the Government and the agricultural department also is there. But you will be surprised to hear that many of the functions of the agricultural department are being too often encroached upon by the irrigation department. The irrigation department interferes from time to time in the programme of the agricultural department. Although the agricultural department have something in their mind to help the growing of sugar-cane, the irrigation department is always interfering. It is also adding to the handicaps of the factory owners who are at the same time the sugar-cane planters. The planting of sugar-cane means thousands of acres of land to be either acquired on lease or purchased if available and possible. Added to this is the prohibitive cost of growing sugar-cane. On our side, *viz.*, Bombay Deccan, you will be surprised to know, that the water rate including all the taxes comes up to as much as Rs. 90 per acre against the irrigation water rate on this side, which I understand is

not more than Rs. 25 per acre ; and the soils also being of a different type we have to add very costly manures such as oil-cakes and fertilisers, etc., besides the cost of ploughing, supervision and other charges which are also very prohibitive. What we expect from Government is this : guidance that such and such varieties are suitable, and that if sugar-cane is grown they will help in the direction of manufacturing sugar on a cheaper and more economical basis. But what I find is that Government instead of doing that, they are, on the contrary, interfering with the private efforts of the factory owners who want to grow cane and give an impetus to cane-growing on the whole. You might have heard that some factory owners have already got a scheme called the prize scheme : some prizes have already been declared for the various factory owners who would grow higher tonnage of cane and who will be able to produce a higher percentage of sugar from the sugar-cane. The local association has applied to Government to give various concessions for these private efforts of the factory owners ; but you will be surprised to hear that their reply is in the negative. Government do not want to help even such efforts as are attempted to be carried out by private owners. I think it is the duty of the agricultural department or the Government themselves to make such propaganda or efforts as would give some guidance for growing the best quality of sugar-cane. You will agree with me that raw material is the basic requirement for the existence of the industry and if the raw material is grown at a cheaper cost, sugar also can be produced and manufactured at a cheaper cost : and the consumer will thereby be benefited : the industry will also be stabilised and everything will be all right and all the money invested will thus be safe. But if the Government do not take it into their head to come forward and help as has been requested in this Resolution, I am sure the industry will not thrive well and there will be trouble and time will come when we shall have to look forward to imported sugar for our daily needs. I hope the House will take into consideration all these needs and will pass this Resolution unanimously.

The Resolution was put and carried unanimously.

President : We will take up the distribution of voting papers : the Secretary will read the names of those who have to get them.

Voting papers were then distributed.

(A member raised a point about payment of delegates' fees, whereupon the President appealed to all delegates to pay up the fee of Rs. 20.)

Mr. V. Ramadas Pantulu (South India Chamber of Commerce, Madras) : Sir, I beg to move the Resolution on silk industry, which runs as follows :—

SILK INDUSTRY

"This Federation strongly presses on the attention of the Government of India that in spite of the protective duties introduced last year the position of the Indian silk industry is far from satisfactory. The recent imports of Artificial Silk and silk mixtures are so appalling that the imports during the nine months ending 31st December, 1934, have almost doubled. This Federation therefore strongly recommends that these imports of silk mixtures and artificial silk and artificial silk goods if not effectively checked are sure to countervail the effects of protection now extended to Indian silk industry."

This Resolution of which notice is given by the Mysore Chamber of Commerce has the support of several other Indian Chambers of Commerce as the question of silk industry is one of vital importance to India. The main centres in India where seri-cultural industry is carried on are Mysore, Bengal, Kashmir and the District of Coimbatore in the province of Madras. Some Mulberry silk is produced in Assam, the Punjab and Burma. The industry including the handloom weaving of silk, gives employment, main or subsidiary, to about one million families and Rs. 4 to 5 crores are invested in it. It is now seriously threatened by foreign competition, China, Japan and Italy being our rivals.

During the last decade, the production of raw silk has been declining. In 1926—27, India produced about 2·75 million pounds of raw silk. Due to increase of imports of cheap foreign silks into India, there has been a fall in Indian production since then. In 1932—33, the production has fallen to 1·5 million lbs., nearly to one half of what it was in 1926—27. Import of raw silk into India which was in the neighbourhood of 13 lakhs of lbs. in 1925—26 rose to about 32 lakhs of lbs. in 1932—33 and the export of raw silk from India which was about 1,32,000 lbs. in 1925—26 almost vanished between 1931 and 34 and it was about 21,000 lbs. in the ten months of 1934—35.

The decline in the production of raw silk in India is due, among other causes, to Indian silk industry not being adequately protected and to the great encouragement and financial assistance given by China, Japan and Italy to that industry. The question was investigated by the Tariff Board and they came to the conclusion that Indian silk industry required effective and adequate protection and made certain recommendations. The position is thus summarised by the Tariff Board: "The large increase, since Japan went off the gold standard, of imports of silk, artificial silk and mixed goods, which seriously compete with the products of silk handlooms has lowered the capacity of weavers to buy the comparatively expensive Indian natural silk, and has compelled them to use more and more of cheap foreign substitutes including spun silk and artificial silk yarn. The depression in the weaving industry has contracted the weaver's total demand for yarn and has had the effect of reducing the demand for raw silk in India and the general diminution of purchasing power, has acted in the same direction." In the result the Board recommended a certain scale of protection duties. The Government, however, did not give full effect to these recommendations of the Board, but prescribed a scale of duties quite different from and much lower than what the Tariff Board considered necessary for protecting the industry. It is now found that even the scale of duties recommended by the Tariff Board would not give requisite protection to Indian silk industry, which is threatened with extinction by formidable foreign competition. The demand put forward by the silk industry for greater protection will appear to be absolutely well founded from a study of the figures of imports of silk into India subsequent to the imposition of the duties by the Government. Those figures will show that the duty absolutely failed to check foreign competition and is wholly inadequate. I hold in my hand a statement* of the position as regards the foreign articles that compete with Indian seri-cultural industry, namely, raw silk, silk piece-goods, silk yarns, including spun silk, silk mixed fabrics, artificial silk yarns and artificial silk goods. An examination of the figures of the imports of these articles discloses their steady and large increase from year to year. It is true that there has been a fall in the imports of raw silk and silk piece-goods from May, 1934, i.e., since the increase in the duty on raw silk, silk goods, etc.; but for the same period, there has been a considerable increase in the imports of silk yarns, including spun silk, silk mixtures, artificial silk yarns and artificial silk goods, etc. The net effect is that while the decrease in the import of raw silk and silk

*Printed on page 105.

piece-goods is somewhere between 12 to 13 per cent, the increase in the imports of silk yarns, noils and warps including spun silk was 70 per cent, that of silk mixtures 60 per cent, artificial silk yarns 84 per cent, cotton and artificial silk mixtures about 20 per cent. Thus the slight decrease in the imports of raw silk is more than outweighed by the increase in the import of those other goods. The case for an increase in the duty is therefore unanswerable in my opinion. The pitch of the duty must be based on Indian cost of production and fair selling price in competition with prices of foreign silk.

The Tariff Board proposed a duty of Rs. 2-6 per lb. on raw silk, when the ex-duty price was Rs. 3-12 per lb. At present the tariff valuation of canton silk is Rs. 3 per lb. Therefore adopting the Tariff Board's basis, the minimum duty now required will be Rs. 3-2 per lb., whereas the actual duty paid on canton silk is Rs. 0-12 revenue duty and Rs. 0-14 *ad valorem* duty, i.e., Rs. 1-10. Thus, the difference between the duty now paid and that which ought to be imposed on the basis of the Tariff Board's calculation is Rs. 1-8 per lb. With regard to spun silk, a duty of at least Rs. 2-6 per lb. should be levied on the basis of the Tariff Board's recommendations; and similarly the duty on silk yarns, noils and warps should also be put at Rs. 2-6 per lb. A suitable increase on silk piece-goods, silk mixtures, artificial silk yarns and artificial silk mixtures is also called for. Unless the silk industry is effectively protected by the imposition of adequate duties, there is very great danger of the gradual extinction of this very important industry. About the economic importance of this industry the representative of the Mysore Chamber of Commerce, who will follow me, will deal fully.

With these words, I commend the Resolution for your acceptance.

Statement Showing the Japanese and Chinese Imports of Raw Silk, Silk Piece-goods, Silk Yarns, etc., into India.

Year.	Raw Silk (Pounds).			Silk Piece-Goods (Yards).		
	Total.	From China.	From Japan.	Total.	From China.	From Japan.
1930—31 ...	1,939,519	1,922,224	17,009	16,585,994	8,204,003	7,834,662
1931—32 ...	1,562,985	1,528,897	33,759	19,924,223	7,828,404	11,744,663
1932—33 ...	3,186,262	2,929,758	164,799	34,957,931	7,941,488	26,768,108
1933—34 ...	2,379,197	1,922,224	220,170	41,123,380	6,655,934	34,269,066
1934—35 ... (10 Months)	1,742,600	1,211,978	509,662	28,096,945	4,297,655	23,534,698

Year.	Silk Yarns, Noils & Warps (Pounds).			Silk Mixtures (Piece-goods).		
	Total.	From China.	From Japan.	Total (Yards).	From China.	From Japan (Yards).
1930—31 ...	1,424,398	395,939	237,835	4,600,241	...	3,973,848
1931—32 ...	1,710,366	342,373	115,997	5,089,645	...	4,053,284
1932—33 ...	3,010,189	417,761	1,186,745	10,103,272	...	8,351,122
1933—34 ...	2,027,681	615,026	814,322	9,838,099	...	8,033,178
1934—35 ... (10 Months)	2,681,941	424,986	1,459,952	11,354,348	...	9,953,831

Year.	Artificial Silk Yarns (Pounds).		
	Total.	From China.	From Japan.
1930—31	7,119,786	...	...
1931—32	7,962,546	...	436,045
1932—33	11,002,093	...	1,798,903
1933—34	9,808,919	...	2,542,319
1934—35 ... ... (10 Months)	13,779,158	...	7,364,581

Mr. G. Narain Rao Naik (Mysore Chamber of Commerce): I have great pleasure in seconding the Resolution so ably moved by Mr. Ramadas Pantulu who has devoted long years of his life to a very serious study of rural conditions with a view to improve the economic life of the people. I do not want to touch the points covered by him but as one actually engaged in the industry in one of the most important centres of production, I have one or two points to elaborate. This is an industry in which both the cottage and the factory are playing a peculiarly important part. From the growing of the mulberry up to the stage of realising the silk, there are lakhs of rural families of Bengal, Mysore, Kashmir, Madras and Assam, who are dependent upon agriculture but are unable to maintain themselves without any subsidiary occupation of this kind. The fall in prices to which the mover has referred as a result of alarming increase in the import of raw silk and manufactured silk, spun silk and artificial silk, has cut out half that number of families from this occupation, reducing their purchasing power still further at a time when it has already received a rude shock under the present depression. Similarly many silk factories engaged in reeling, spinning, weaving, dyeing and similar operations have either closed down or have reduced their output so as to throw out of employment thousands of families in all parts of India. I do not think it is necessary to labour the point so ably proved by the mover that the recent fall in prices has so badly upset the calculations of the Tariff Board and the Government that the duty now operating has failed to adjust local prices to the cost of production.

It was urged before the Tariff Board that protection should be afforded for 15 years as the people engaged in the industry are illiterate, poor and live in the interior villages and as it would take considerable time to introduce all the necessary improvements in the industry to enable the industry to withstand competition after the period of protection. Unfortunately the Tariff Board has recommended protection for five years only. This is absolutely insufficient. It is necessary to afford protection straightaway for ten years to enable the people and the Governments concerned to take definite steps to develop and organise the industry.

In these circumstances, the Government of India will be doing great service to the country by giving full effect to the Tariff Board's recommendation without any delay.

The Resolution was then put to vote and was carried unanimously.

Lala Sri Ram (Delhi Factory Owners' Federation): Mr. President and Gentlemen, the Resolution which I have the honour to submit for your acceptance is in the following terms:—

TRADE TREATY WITH FOREIGN COUNTRIES

"That in view of the changed economic conditions of some of the important customer countries of India, the Federation urges upon the Government of India to take immediate steps for arriving at an understanding or an arrangement or to negotiate a trade agreement with those foreign countries in order to safeguard the export trade of India."

I shall preface my remarks on this Resolution with a quotation from the speech of the Chairman of the Indian Delegation to the Imperial Economic Conference at Ottawa because it explains in a few well-chosen words the important bearing which the export trade of this country has on the prosperity of her people:

"One great aspect of India's economic position may be briefly noted in passing. Like other parts of the Empire she can neither meet her international obligations nor purchase her requirements of manufactured goods unless she can find a market for raw produce. Her exportable surplus of certain commodities may, however, exceed —may even very greatly exceed—the Empire's present capacity to absorb them. India has to find markets outside the Empire for the great bulk of the exportable surplus of her products although in normal years she purchases a greater proportion of her requirements from within the Empire than from without. These are facts which those responsible for India's welfare have constantly to bear in mind. The development of her foreign trade generally is one of her primary interests. But it is not in the mind of any of us here, I am sure, that trade could be confined to Empire channels and it is the hope of the Indian Delegation that this Conference may prove to be an important step towards greater freedom of trade throughout the world."

The changes which have taken place in the economic condition of most countries are so well-known to you that it is unnecessary for me to enlarge upon them at any great length beyond drawing your attention to the serious diminution in the value and quantum of international trade since the year 1929, due largely to the policy

adopted by almost all countries of imposing higher tariffs, restricting the quantity of imports, controlling foreign exchange, depreciating the currency and the like, for the purpose of protecting national markets. This policy was in turn dictated by the unwillingness of creditor nations to accept goods and services in payment of debts due on reparation account or otherwise, because of the harmful effect such imports had on the industries of the importing country; tariff barriers were accordingly raised against foreign imports, a device now universally adopted, to the detriment of the free movement of international commerce. Coupled with this, there has been dominant in every country the motive to make itself as self-contained as possible, which has led predominantly agrarian countries to adopt a policy of industrialisation in which protection plays a not insignificant part and industrial countries pursuing a policy of agricultural development in which subsidies, regulation of imports by quotas and the regulation of the home market by marketing boards play an important part. Due to these causes and the changes which they have brought about, the export trade of India, in sympathy with the decline in international trade has dwindled from Rs. 249 crores in the year 1913—14 and Rs. 344·5 crores in 1925—26 to Rs. 225·6 crores in 1930—31, Rs. 160·6 crores in 1931—32, Rs. 135·6 crores in 1932—33, Rs. 149·7 crores in 1933—34 and to Rs. 112·2 crores in the nine months of the year 1934—35. Our favourable balance of trade was only Rs. 3 crores in 1932—33, Rs. 34·4 crores in 1933—34 and Rs. 15·8 crores in the nine months of the year 1934—35, a balance which is entirely inadequate to liquidate our external obligations which amount roughly to about Rs. 50 crores a year. The result has therefore been that this country has had to draw heavily on her reserves of gold and we have in the last three years exported gold to the value of Rs. 65·5 crores, 57 crores and Rs. 38 crores by way of supplementing our merchandise deficit. This drain cannot continue much longer because the reserves have already been so heavily depleted and it therefore behoves us now to devise measures which would enable us to liquidate our external obligations in goods, in other words such steps as will bring about an expansion in our foreign trade.

I have already explained that the policy of economic nationalism pursued by each country has been responsible for the decline in international commerce. Each country understands perfectly that world prosperity can only be rehabilitated by promoting a much freer circulation of merchandise but each country, having regard to its own immediate interests, feels powerless to withdraw its tariff barriers. The League of Nations and other International Conferences

have, as you are aware, endeavoured more than once to persuade nations to agree to a tariff truce but without success. I gave you figures to illustrate the decline in our foreign trade. I will now mention a few countries from which our goods are shut out, virtually, even if not in actual fact. Germany and Italy are very recent examples. In Germany there are exchange restrictions which provide that no permits for foreign exchange are to be issued for the payment of imports and services rendered than are actually available in consequence of payments made for German exports. This means that facilities for the import of commodities from India to Germany are only obtainable against the export of German goods into India of an equivalent value. As regards Italy, the Italian Government is stated to have very recently restricted the import into Italy of practically all commodities to about 25 per cent of the imports for the corresponding period of 1934. It is not known what degree of restriction will be exercised after March. The object of the restriction is stated to be to ensure a fair equilibrium between imports and the means of their payment abroad. The report which the Federation presented to you describes the manner in which India's trade with Persia has been hit as a result of that country having negotiated a trade treaty with Soviet Russia. The position now regarding India's foreign trade may be illustrated by a few figures. Germany used to take in pre-war and in pre-depression years 10·6 and 8·4 per cent respectively of our total exports as against 4·4 per cent in the nine months of the year 1934—35; Belgium which used to absorb 4·8 and 3·8 respectively of our exports now takes only 2·6 per cent; France which accounted for 7·1 and 5·3 per cent respectively now provides a market for only 3·2 per cent; Italy which used to take 3·1 and 3·6 per cent respectively will, under the operation of this decree, reduce her imports from India considerably.

The resolution which I have placed before you urges the desirability of India negotiating bilateral trade treaties in order to safeguard her export trade. We concluded a treaty last year with Japan the guiding principle of which was the reciprocal accommodation of each country's interests by the other, and it is agreements of this nature that the Resolution advocates should be entered into with countries who are important customers. In his address to us yesterday the President said that the practice of securing greater trade privileges by means of separate agreements is increasing and that we shall find it necessary to enter into many such agreements in the near future. I hope, sir, I have made out a case for their negotiation at an early date in order not only to restore our export

trade to its pre-war or pre-depression level but to expand it in order that our active balance will not only cover our payments in liquidation of our external obligations but also leave a surplus. The President cautioned us that care should be taken in the conclusion of such treaties to see that the concession granted in one market does not adversely affect another and that our losses in one do not outweigh our gains in another. These and other important details must receive the close attention of the Federation but the general principle formulated in the Resolution is one which, I hope, will command universal acceptance. Sir, I move the Resolution. (*Applause*).

Mr. R. M. Gandhi (Grain Merchants' Association, Bombay): Sir, I rise to second the Resolution so ably moved by my friend, Lala Shri Ram. I do not know whether this is an appropriate time for me to speak at length, and I do not know whether I shall be able to do more justice to this subject, as I think sufficient justice has been done by the mover, and I shall take into consideration the fact that all of us have to go to do justice to the hospitability of our Vice-Chairman. I am sure you do not want that I should keep you long, though I feel at the same time that I must speak for some time and leave some more time for Mr. Pantulu who will be supporting this Resolution. I think this subject has its own importance and has its special significance. The subject matter of the Resolution has more importance in the sense that reference after reference has been made to the subject in the speeches that have been delivered to the House during the course of this Session till now. In the first place, sir, if I point out certain portions appearing in your speech at various places, it will show to the House how important the subject is. At the same time it will show to the House that you have put this matter—the subject matter—of this Resolution, in clear and concise terms and have given expression to our opinion and our views on the subject matter very clearly. I may also point out that Sir Purshotamdas Thakurdas in his speech on the Resolution regarding "Indians Abroad" dealt with this subject very forcibly. In the same manner Mr. Husseinbhoy Lalji has spoken on the same Resolution as well as in his Presidential speech in the Indian National Committee and has referred to this subject very ably. The fact is that the outstanding feature of post-war international trade is the large number of handicaps to the easy flow of trade between nation and nation. The aftermath of the Great War has given rise to new school of economic thought. I think the mover has referred to the necessity of meeting the situation arising out of the factors which have led many countries of the world to adopt the policy of national

self-sufficiency and of having favourable trade balances ; as a result of which various important countries are adopting the policy of exporting more and importing less. Whatever may be the reasons for these developments, we cannot escape the fact that every nation in this world has been obliged to enter into trade agreements in the race for self-protection and of preserving its own trade and industries. We, in India, sir, have been drawn into the orbit of other forces, namely, Imperial preference. Arising out of this, there are various subjects—the Ottawa trade agreement and the Indo-British trade agreement, to which I shall not refer at any length at this hour, and on which there have been different Resolutions. We must however admit and we are familiar with the fact that, in seeking the preference for some of our exports to the Empire countries, we have alienated the feelings of some of the other countries. Just as the mover pointed out, if we have a glance over the export figures of India, we will find that our export trade to the continental countries is showing a considerable shrinkage. I would not trouble you with the figures, because the mover has given the figures and these figures can be had by a reference to the statistics of the sea-borne trade. In the present circumstances, therefore, in which we find ourselves, that is, having regard to the recent developments in the realm of international trade, it is high time for India to explore the avenues so as to safeguard and preserve her trade interests in all the foreign countries ; and I believe it is absolutely necessary for us to examine this question of trade agreements with foreign countries and to adopt our trade policy in such a manner that, on the whole, we may not have to suffer on this account. With these words, I beg to second the Resolution.

The Meeting then adjourned for lunch till 2-45 p. m,

AFTERNOON PROCEEDINGS

Sunday, 31st March, 1935.

The Annual Session re-assembled after lunch at 2-45 p.m. with the President, Mr. Kasturbhai Lalbhai in the Chair.

Mr. V. Ramdas Pantulu (S. I. Chamber, Madras) : Sir, I think very few words are necessary in support of the Resolution which has been very ably moved by an expert and supported and seconded by another expert. The effect of the Ottawa agreement and the Indo-British trade agreement is to make India increasingly dependent on the trade with the United Kingdom. I consider it politically harmful to make India increasingly dependent upon her trade with one or two countries. As a result of the Ottawa and the Indo-British trade agreements, there has been a considerable increase in the trade with Britain both in regard to exports and imports. But the increase by itself would have been welcome if thereby our trade with our old customers has not been prejudicially affected. Many of the countries with which India has been carrying on her trade have assumed a hostile attitude because those countries have been adversely hit by the Ottawa and Indo-British trade agreements. So it is time for India to wake up and enter into suitable trade agreements with other countries. I might just mention the attitude which some of our old customers have taken in view of the developments that have been brought about by these two trade agreements. It must be noted that Germany, France, Italy, the United States of America, and Ceylon have taken certain action which adversely affect our trade. The importance of entering into trade agreement with these countries will be realised when you see the range of Indian products in regard to which we have trade relations with these countries. I find from a consultation of the overseas trade position that Italy has controlled the imports of oil seeds, wool and coffee and besides subjected cotton to an import duty. So far as France is concerned, the import of groundnut, copra, cocoanut, castor seed, etc., can be done only after getting a license and the import duty on rice is increased. Ceylon has imposed a duty on import of eggs, vegetable ghee, fresh and dried vegetables, spices and certain other provisions and Indian rice and lungies are fast losing the market in Ceylon. Germany has brought under regulation the import of cotton pressed flex, hemp, jute and other vegetable fibres and import of raw hides and skins is to be made only through the control office while import of oil seeds is prohibited and import of raw cotton is restricted by the control office. Germany has also been busy with finding substitutes

for cotton, groundnut, oil seeds, bone manure, etc. So unless a proper understanding or arrangement is arrived at or suitable trade agreements are negotiated with those countries, it is evident that the export trade of India is bound to suffer very serious damage. I therefore think that the case for a trade agreement between India and other countries is well made out. In 1934 so many as 12 trade agreements were made between several countries in Europe and these are having adverse effect on Indian trade unless we follow them up by entering into similar agreements with those countries. The parties to these trade agreements seek to give each other most favoured nation treatment and reciprocal changes are made in the tariff to shut out goods of other countries, leaving to such other countries only what cannot be supplied by the countries entering into mutual agreements. Therefore India has to wake up if she is not to be left out in the race. Otherwise her export trade is in great danger. It is only by the help of such trade agreements that we can hope to maintain and increase our export trade and increase our production.

Before I close I wish to make one or two observations. I wish to lay emphasis on one aspect of the trade agreements. The retiring President of the Indian National Committee of the International Chamber of Commerce in his address last evening urged that trade agreements in future should not be confined merely to exchange of goods, but should also contain provisions regarding reciprocal treatment of nationals of foreign countries. For instance if the nationals of Italy want to do insurance business in India, it should not be open to Italy to exclude Indian insurance companies from operating in Italy. Therefore reciprocal treatment for the nationals should be an integral part of trade agreements.

I wish to make one further observation. I hope that in future the Government of India will take the commercial community into their confidence in entering into these agreements. In a way it may be said that they are committed to that policy by the announcement they have made in the Assembly when the attitude of the Government of India was very severely criticised regarding the Indo-British trade agreement. But how far they would carry out their promises remains to be seen. It will not do merely to consult the Federation or a few Indian commercial interests, but they must actively take them into their confidence and must respect the Indian commercial and public opinion in these treaties. It will not do merely to enter into treaties, but you must have agencies to supervise and watch the operation of these treaties and for that purpose, I think we must have good and well tried Indian trade commissioners,

who are men of business drawn from business circles, not from the Indian Civil Service or from the official cadre. I think they should be practical men with business experience and particularly Indians should be appointed as Trade Commissioners in the various countries with which we enter into trade agreement and unless these steps are taken I think the Indian export trade is in very great danger of being damaged. I can certainly not add much to the very lucid exposition of a subject like this by an expert like Lala Shri Ram and Mr. Gandhi. With these words, I commend the Resolution to your care and I hope the Federation will watch from time to time the development in this connection and do not let this opportunity pass but press on the Government of India the need to take the Indian Commercial public into their confidence before entering into trade agreements. With these words, I support the Resolution.

President : The Resolution has been moved, supported and seconded. I put it to vote.

The Resolution was unanimously carried.

Mr. Mathuradas Vissanji : Sir, I beg to move :

INDO-BRITISH TRADE AGREEMENT

"The Federation offers its felicitations to those Members of the Assembly and the parties that lent their support to the stand taken up by the Federation in recording their decisive verdict against the Indo-British Trade Agreement and strongly protests against the Government of India in not acting up to the verdict of the Assembly ; the Federation further warns the British commercial and industrial interests that any agreement arrived at over the head of the Indian commercial community is likely to do them greater harm than good."

Sir, I am rather in a peculiar position. The proposition to congratulate the Assembly Members has been put into my hands. I am one of the Members of the Assembly, but I cannot also forget the obligation of mine towards the Federation and being a Member, if I am interested, I must do justice although it includes myself in congratulating the Members of the Assembly. I would rather point out the undue haste that was brought to bear upon this issue by the British Government. You might remember, sir, that the Assembly elections came about in November and they were concluded by the middle of November. Great Britain realised that in the elections the Congress candidates would come out successful and they anticipated that if they delayed the matter and consulted the Assembly, very probably

they will not be able to get what they wanted at the hands of India. Being sure of that position, they proceeded with the matter with undue haste to bring about this pact. This pact was actually signed on 9th January, 1935. The Assembly session was to commence on 21st January. If the Government had any real intention of consulting the Assembly and taking the Indian community into their confidence, specially the business community, they could very well afford to have waited for a short while at least for a fortnight and then consulted the Assembly about this Pact. But, no, they would not do it because as I told you they were afraid of the position. That shows by itself that there was something behind it all. They did not want to do justice and show fair play to the Indian interests at all. Well, if further proof were needed, I can only say in the words of Sir William Clare Lees who on 11th January spoke to the Manchester Trade Mission in which he says :

"If the position created by the agreement is compared with that which existed before, it will be seen that a marked improvement has been brought about."

I want you, gentlemen, to mark the words, 'marked improvement.' It means that he really understood that he had scored over India in the arrangement. He further on says :

"Before the Ottawa conference, we were unable to obtain any assurance as to the duties on cotton, and artificial silk goods because the Indian tariffs on these articles were under review by a Tariff Board. That Tariff Board had no obligations to bear in mind the interests of British trade, and Lancashire very properly felt that this position should be rectified in view of the notable advantage conferred upon India by the Ottawa agreement and when Lancashire made representations to the Government of India, they emphasized very strongly the desire of the principals they represented to be brought within the ambit of the Ottawa agreement."

Well, you will see that one of the bargaining party admits that he has gained in this transaction and thus you can very well feel sure that how much more he must have gained than what he is prepared to admit publicly. Furthermore how unjust this pact has been was shown so ably and frankly by the debate in the Assembly as well as by the Chambers outside and it is needless for me to go into those things again.

I will now come to the main part of the Resolution in which we have got to congratulate the Members of the Assembly, who voted

for this Resolution and thus defeated the object of Government. You might be aware that the voting was 68 for and 56 against the motion. If you take out the number of officials which is nearly about 36, that leaves about 20 more members. If you take out the European community numbering nearly 10, that leaves only about 10 among the elected members. Of course you cannot blame the European group. You can very well understand their attitude, and bearing that in mind only stray members like our friends Mr. Mody and Sir Cowasji Jehangir, not much to name about others, voted with the Government and made up that ten. Otherwise you will see that the voting against the motion was 68 and that was practically solid and absolutely on non-communal lines. I am very glad to say that during the debate all the Members from the different provinces came out with one and the same feeling and expressed themselves in no uncertain terms. I sincerely wish them all good for the attitude they had shown and congratulate them by this Resolution on your behalf. Mr. Mody as well as Sir Cowasji Jehangir during the course of the debate emphasised that England was prepared to consider the export trade of India in which she was interested and help her to that extent. They also said that England has taken a share in view of the Ottawa agreement and pending the Indo-British Pact, England had taken this year no less than 342 thousand bales of cotton as compared with 142 thousand bales last year. They gave full credit to Great Britain for her sympathy towards India so far as the exports of India were concerned. But, however, Mr. Mody and Sir Cowasji Jehangir conveniently forgot that really speaking the object of England was not *bona fide* in helping India and there was something deeper behind this action on the part of England. If I may be allowed to say so, the price of cotton was ruling something like Rs. 10 to Rs. 15 cheaper to the consumer in Lancashire as compared with American or its substitute. That disparity remained there probably right up to last month, and it now remains to be seen whether their version of sincere sympathy for India in that regard will continue in view of the developments that would come up later on when that disparity disappears and India perhaps might be able to show better prices as compared with America.

I have been told by the President to be short in my speech because there are many other speakers to follow me. This is a very important subject and one can very well dwell upon it at very great length. But I will only restrict myself to the final portion of the Resolution in which we have to warn the British Government as well as the traders on the other side that if they want to continue that sort

of attitude with us, they will be certainly losing our sympathy and good relations that have been prevalent in the past so far as business was concerned. When we know that those relations are strained and when we know that the Englishmen are not treating us fairly and when we are offered better terms elsewhere we will be much more tempted to have our business connections with other countries than what they are in the ordinary course prevailing with Great Britain. Every one would wish that we are not compelled to take that course. Perhaps they might come forward and say that the preference of the barriers of customs would be there to prevent us doing it. I am sure the business acumen will not allow to suffer that and very probably will find ways and means to get over them and surely harm the British trade eventually. With these words, I move the Resolution.

Mr. Popatlal Harilal Nagri (Ahmedabad Mill Owners' Association) : Mr. President and Gentlemen, I rise to second the Resolution so ably moved by Mr. Mathuradas Vissanji. I do not think there is anything left for me to say on the subject. However, I think it my humble duty to express my views on the subject before this Meeting and render whatever little service I can. This being my first occasion to speak before this audience and as I cannot pose to be as experienced as most of you present here are, I request my learned friends to excuse me for any deficiency that might creep in and understand the true meaning of what I want to say in this Meeting.

Before going into the details of the Agreement, I think it necessary to introduce my worthy friends to the circumstances under which it was signed and the position maintained by our country in order that we can fully appreciate its harmful consequences to the trade and prosperity of our country. The seed of it lies in the programme of Preferential Protective Policy followed by Great Britain in the last decade and the role of an equal partner that we were given in the eye of the world followed by very high responsibility to be shouldered by us as such without enjoying the sweet fruits which may be the natural outcome of it. As a partner of the Empire we were given a place in the deliberations that took place to safeguard the Imperial Commerce. The result was the Policy of Imperial Preference whereby the import of Imperial Goods is to be given a special favour.

Our National Leaders and especially the Commercial Public, though not lured by the above high sounding words, made repeated protests against the negotiations carried on in the dark and being suspicious of the benefit to be derived therefrom showed their unwill-

ingness to enter into an Agreement that may be drawn up. The result was the famous **Ottawa Pact** and the loss that the Commercial Community suspected at the time is corroborated by the harmful result that subsequently followed.

Effects of the Ottawa Pact : Though the Ottawa Pact proved beneficial to Great Britain, it failed to satisfy the avarice of our Foreign Trustees. Unemployment in Great Britain was not yet removed and the Japanese were capturing the Indian and other markets and thus becoming a great menace to the world at large and to the United Kingdom in India.

Indo-British Trade Agreement. It was on that occasion that both India and Great Britain clamoured to oust the new danger and appealed to the Government to interfere in the matter and to save the nascent industries of India. The Government having her eyes always turned to the West and always anxious to help us and make us live and become instrument in her hands, took up this task. It was that unauspicious moment when the Mody-Lees Pact was made which afterwards received the name of Indo-British Trade Agreement which forms one more landmark in the famous chapter of Indian History, which runs by the name of "Black Pages of Indian Economic Drain."

Effects of the Agreement : Its effects were no doubt beneficent to the British interests but in doing so, we had to pay heavy costs. Not only the British goods can easily compete with us on favourable grounds in our own markets and crush down the rising industries of the country but India loses its markets in foreign countries where she was formerly exporting. The result is a decrease in our exports and an increase in our imports. Countries like Roumania have passed prohibitory orders for Indian exports, Italy and Turkey have discarded the Commercial Treaty so long existent and Germany has also passed similar orders and France is contemplating a similar step. Thus the Preferential Treatment which was the direct result of the Ottawa Pact and the Indo-British Trade Agreement can be reviewed from the Export Trade of India which is diminished and the Import Trade which has increased and is likely to increase still more.

The Commercial Community and the leading men of the country foresaw the abovementioned harmful effects and their review of the Ottawa Agreement which was just before them strengthened their fears against an Agreement. And there appears to them no reason why they should approve of an Agreement in which they are

nothing to gain but mere sweet words, platitudes and hopes of good-will and sacrifice everything for it. The reasons in support of the above and the causes of the Federation raising a strong cry against it may be stated in brief as follows :—

1. Even a child will not approve of the Agreement when it has to sacrifice everything and to get in return what is natural for it to get and mere sweet words—practically nothing—nay, not only that but it has to sacrifice everything to the other party of the Agreement and also to lose what it is to get from others in order to satisfy the other party.

2. The Agreement in question is seriously detrimental to the commercial interests of the country and creates a feeling of resentment in the minds of our customers on which depends the commercial prosperity of any country.

3. It is an Agreement in which the country was not a party to it—even the Government was not free to decide and national opinion was not at all sought for. Under the circumstances, the necessary condition of free will and of sanction is wanting in this Agreement.

4. It is an Agreement wherein undue advantage of the country's subordinate position as a Dependency has been taken in the settlement of the terms.

5. Public opinion and the opinion of the commercial world especially, are so strong that good-will will not be maintained even if the Agreement remains in force between the Government of India and the United Kingdom. The test of time only will prove the truth of this in the long run.

6. It will become a strong weapon in the hands of our commercial masters who will be able to compete with us in all markets of India.

7. It would have been far better if the Agreement would have been taken up in a true spirit of good-will, with a clear outlook of the consequences which may arise in future, as was the case of the Indo-Japanese Agreement. Then there would have been nothing to grudge for.

Gentlemen, I thank you all for giving me a patient hearing, and with these words I beg to resume my seat.

Mr. Umashankar Dikshit (Marwari Chamber of Commerce, Bombay): Sir, I cordially support the Resolution moved by Mr. Mathuradas Vissanji and I wish to take only a very few minutes in doing so. I submit that the Indo-British agreement is not an agreement at all and if it is an agreement, it is bad in law and void. The British Government issued an order to the Government of India and called it an agreement. That does not make it an agreement in any sense of the word. An agreement has certain elements in it. It must have consideration on both sides, it must be signed on authority, it must not be based on misrepresentation and fraud and there must be perfect understanding of the implications of the agreement on both sides and so on.

I submit, sir, that none of these essential elements are present in this agreement. I will tell you how. So far as consideration is concerned, India does not get any consideration. In ordinary business contracts, an agreement like this would be considered bad for want of consideration. As Mr. Mathuradas Vissanji told you, they have made much of a little increase in cotton export to England, but we find that it is nothing extraordinary. It is said that about 342 thousand bales were exported in the last year; but if we leave out the two years preceding 1934, we find that nearly 300 thousand bales were being more or less constantly exported to England from India. After all, 42 thousand bales extra is not quite so extraordinary as to be the basis of a serious trade agreement like this. I do not know the exact position about pig iron but the advantage in that article is contingent on other conditions namely, non-raising of duties on imports of British iron and steel articles.

Apart from that, I will point out that so far as Great Britain is concerned, there was stipulated one substantial consideration. She had expected at the end of February last a reduction of five per cent in the import duty on British textiles. That consideration would be something like earnest money for an agreement; but that also has not materialised. Thus we see that there is no consideration on either side. India was not given any advantage in the agreement and England has not received all the advantages stipulated for her. The agreement ought therefore to lapse. Indeed, I sub-

mit, sir, that the Indo-British Trade Agreement is not really a legal agreement at all.

Then again, who signed the agreement ? Who was consulted ? There was some correspondence between the British Government and the Government of India, but the Indian people, the Indian merchant community, did not know about it till exactly it was published. Who authorised the High Commissioner for India to sign the agreement ? Not the Indian people. It is a mockery to call an order, a fiat like this from the British Government an agreement. I say a bogus agent in London signs a so-called agreement on your behalf and you are forced to accept all the disadvantages of it. We are not going to accept it, and the country has made it most abundantly clear that it will not accept it at any cost.

There is just one more point, sir, that I would like to submit for the consideration of the House. A lot of misrepresentation and wrong publicity has been and is being carried on. The Lancashire Indian Cotton Committee has issued quite a lot of unnecessary literature explaining to the world what amount of research, what amount of publicity, what amount of consultations they are carrying on in England in order to see that the consumption of Indian Cotton is stimulated in England. I want to know, are trade agreements based on potential possibilities of research that you carry on for purchasing the goods of other countries ?

I believe it is not necessary to examine at length the whole agreement. I will not go over the whole ground, as Seth Mathuradas Vissanji said, that has been covered in detail in the Assembly and elsewhere. That the fiscal autonomy convention has been killed, if there was anything left of it, by this agreement, that the whole fiscal future for which there might have been some hope by the coming of the Federation has been absolutely scotched—all these things are unnecessary to be repeated here. The agreement is so absurd, so unjust and so one-sided on the face of it that to condemn it, it is not necessary to go into details and figures. I am sure every one of us present here will vote for this Resolution and carry it with acclamation.

Mr. Jagmohandas J. Kapadia (Native Share and Stock Brokers' Association, Bombay) : Mr. President and Gentlemen, I thank you for giving me an opportunity of speaking on this Resolution, and I assure you, sir, that I shall be very brief. I do not think it is neces-

sary on the present occasion to deal at length with the merits of the contents of the agreement which has been arrived at without the consent of the Assembly and which is sought to be enforced by the Government of India against its verdict. Confining myself to the terms of the Resolution before the House, I find that the first part of the Resolution aims at extending the Federation's felicitations to those members of the Assembly who represented the voice of the Federation in the Assembly. Before the present Assembly came into existence the Indian commercial community had the misfortune of putting up with an Assembly which was too tame and docile and which, while making a pretence of contending, always conceded the Government's demands. It is therefore a matter of satisfaction to this Federation as representing the Indian commercial opinion that the present Assembly consisting of some of the stalwarts of the Indian nation tried to expose to the public gaze in its true nakedness what could in no sense be called an agreement but what in the real sense of the term could be called a complete surrender of the rights and interests of the Indian nation. To hold out such a document as an agreement is absolutely incompatible with common sense and reason. Sufficient has been said in the Assembly, sufficient has been said in the very able and excellent statement which the Committee of the Federation prepared dealing with the various issues involved in the agreement, and I do not think I can add profitably to what has been said already. But then, sir, when I reflect upon the first part of the Resolution I am struck with one very important idea. Are the felicitations of the Indian commercial community merely to be retained on paper? Are these felicitations merely to be retained in the minute-books of the Federation, or is the Federation going a step further? Is the Federation going to see that these felicitations take a concrete form? Now what is the concrete form that these felicitations should take? I want each of you, gentlemen, to scan the Division List and note the names of those members of the Assembly, particularly the elected members of the Assembly, who voted against the rejection of this agreement and to make it a point hereafter to see that these gentlemen are never returned to the Assembly again, because they have betrayed the cause of the country. That would be the only way in which our felicitations can take a concrete form.

Mr. A. C. Khosla: Why not condemn Mr. Mody who was the Chairman of the Bombay Millowners' Association?

Mr. Jagmohandas Kapadia: So much for the first part of the Resolution. Coming to the second part, it has been the policy of

the Government of India that they always ignore the verdict of the Assembly when they find that that verdict is inconvenient. The Government of India is notorious for its irresponsibility ; the Government of India is notorious for acting as an opportunist. Government had the temerity to submit the Ottawa agreement to the Assembly because at that time the Assembly was a weak and docile body and the Government went out into the country saying, "This is the Ottawa agreement which the Assembly, the spokesmen of the nation, have approved and therefore the agitation which was led by the Indian commercial community wae absolutely fictitious." That was what the Government used to say. Now when they find that the Assembly have given a decisive verdict against the Indo-British agreement, they change the tune. In reply to questions put by some Assembly members as to whether Government had taken steps to put an end to this agreement, the Government member maintained that in their opinion the agreement was in the interests of India. I am trying to refer to this fact in order to show the irresponsible character of the Government.

Coming to the third part of the Resolution, namely, the warning to British commercial interests, I do not think any warning from the Federation is going to be heeded by the British commercial community, because the history of British administration is a history of economic exploitation throughout. But I cannot resist the temptation of referring on this occasion to the interesting disclosures which recently were made by "INDIAN FINANCE" in connection with the protection granted to the Indian steel industry. Most of you, gentlemen, will remember that before the legislative proposals for protecting the Indian steel industry following on the report of the Tariff Board for the grant of continuance of protection to that industry were brought before the Assembly, a meeting was held in England between the members of the Federation of Steel Manufacturers and the Board of Trade ; and at this meeting the proposals of the Government of India in connection with protection to the Indian steel industry were discussed, and the members of the British Federation were jubilant over the proposed excise duty on steel ingots. I cite this instance to show that British commercial interests have a great hand in exercising political influence first on the British Cabinet, then on the Secretary of State, and through him on the Government of India. Sir, we cannot move the British commercial interests in the way we desire them to move, therefore we can only take consolation in that famous Sanskrit verse :

"Prāyah samāpanna vipatti kāle
Dhiyopi punsam malinā bhavanti."

The moral of it is that when adversity is imminent even the intellect of wise men becomes foul. I will only say, God save England and God save India.

Kumararajah, M. A. Muthiah Chettiar of Chettinad (S. I. Chamber of Commerce, Madras): Mr. President and Gentlemen, I rise to move the Resolution on Burma :—

BURMA

This Federation is of opinion :—

(i) That the Joint Parliamentary Committee's findings and aspersions on Indians in Burma and the provisions made in the Government of India Bill for the promulgation of orders restricting immigration of Indians are unjust and unwarranted in view of the long association of Indians with Burma and their substantial contribution to the development of Burma ;

(ii) That the provision in the Government of India Bill vesting in the future legislature of Burma the power to restrict the free entry of Indians into Burma or to impose conditions on immigrants makes it particularly invidious that British subjects domiciled in the United Kingdom are exempted from such restrictions ;

(iii) That paragraph 2 in Clause 435 of the Government of India Bill whereby statutory recognition and approval are given to such laws as to prohibit or restrict sale of agricultural land is, in view of special circumstances, in practice bound to become of a discriminatory and exproprietory character ;

(iv) That with regard to the franchise applicable to the Indians, no variation should be made which will place them at a disadvantage compared with the franchise applicable to them at present ;

(v) That as there are a large number of persons in Burma who are not Indian subjects of His Majesty domiciled in British India but are subjects of Indian States, the sections applicable to Indian subjects of His Majesty domiciled in British India should be made applicable to these persons also as they are carrying on business or professions in Burma and thus have large interests ;

and resolves to urge upon the Government of India and the Secretary of State that when Burma is separated from India, there should be adequate statutory protection for Indians in all matters and in particular provision should be made with regard to :

(i) unrestricted right of entry,

(ii) carrying on of any occupation, trade, business or profession,

(iii) holding of property and public office,

(iv) the right to reside and travel, and

(v) right to alienate land and other properties without any restriction."

I must first express my thanks to the Committee for adopting the comprehensive draft of the Resolution. Sir, to the many indignities to which the Indian nation abroad is subjected, is now added one more in our own sister country of Burma. Till now we have had to fight against foreign Governments for equal rights of citizenship and to prevent discriminatory legislation being passed against our countrymen in those countries. In those efforts, so far, I think we may congratulate the Government of India and the various officers, as my honourable friend Sir Purshotamdas Thakurdas referred yesterday. They have done their duty as best as they could, and now our own Government to whom we look up every day to fight for us in other parts of the world are trying to impose humiliating conditions on our Indian brethren in a part of India. With what face can our Government fight the cause of Indians in other parts of the world ? Would they not turn and say, "What are you doing to the Indians in Burma ?" I should think that if the present situation

in Burma is not remedied, we would lose our case and our good points in other parts of the world. Colonisation every country needs and when Indians to relieve congestion here to a certain extent go out colonising, I do not know why we should be viewed with suspicion. Even this aspect of the case does not arise in the case of Burma, for the Indians who went to that part of the country and settled there did so taking it as a part of India and they invested large sums of money believing full well that Burma will always remain a part of British India. It is in that firm belief that they invested large sums of money and now with the separation, they are going to be told from to-morrow that they are foreigners there. I do not think there is a parallel in any other country to this situation. Sir, it should be interesting now to note what Burma was before. It was all forest land populated by small nomadic tribes scattered all over the place with no settled avocations in life. It is only after the advent of the Indians that civilisation increased in Burma. Long before the advent of the British in India, Indian civilisation had spread far and wide in Burma. Between the 4th and 7th centuries people from Bengal, and Kalinga crossed over to Burma and spread their civilisation. If Burma is a rich country to-day it is all due to Indian labour and Indian capital. To the pioneers who toiled hard in clearing the forests and constructing the railways, Burma owes much. Lest I should be considered a prejudiced judge of affairs, I should like to quote from an authoritative statement, a publication of the Government of Burma in 1911—the census report—which will give succinctly the history of the relationship between Indians and Burmans. This is written by Mr. Morgan Webb, a civilian :—

> "As far back as the history of Burmese national life can be traced by means of its chronicles and its legendary lore, migration from India has been one of its most prominent and continuous features. Both the Burmese and the Tailangs owe their evolution from a number of small, wild, scattered, disunited and nomadic tribes into large and cohesive kingdoms to their contact with Indian Colonists who had settled in numerous and small colonies in the valley of the Irawady. The earliest attempts at any form of government beyond a mere tribal organisation commenced under Indian auspices at Tagaung at Prome and at Thaton. The religion of Burma equally with its system of government was obtained from Indian sources. Indian influence is to be found in every branch of Burmese life, not only in its religion and in its government, but also in its architecture,

its festivals, its ceremonials and its more intimate and domestic phases. The further back in point of time the investigations are carrried, the greater is the degree of of Indian influence perceived. In view of the prevailing tendency to assume that the Burmese as a race are doomed by the modern incursions of Indians into the province, it seems necessary to emphasise the fact that the existence of the Burmese as a powerful and widespread race is due to Indian immigration."

This gives in a nutshell the history of Indian association with Burma. No better testimony could be given to the Indians, for the work that they have done for the development of modern Burma. Not only this. After the advent of British rule in Burma, the Government actively encouraged Indian immigration into Burma. I have heard that Government arranged tom toms in our own country encouraging people to go over to Burma to seek employment as labourers or as merchants. Their object was to improve the methods of cultivation, to introduce new crops and the much needed population. During the last few decades, people from all parts of India migrated to Burma and they settled down in large numbers there and they carried on business not only to their own betterment but to the betterment of the country in which they lived. After the advent of the railway and the clearance of large tracts of forests which have been converted into arable land, the population of Upper Burma moved into the delta area and became very prosperous. Now, the cultivation in Lower Burma which is the chief agricultural area of the province is dependent upon Indian labour, supplementing the local Burmese labour. If Indian labour is not available I do not think it will be possible for the Burmese people to complete cultivation annually. Indian labour has gone there only when requisitioned. Especially for the industrial work, the Burman is not suitable. He does not like the monotonous work of mills, factories and dockyard labour. For this purpose the better disciplined and trained Indian labourer is requisitioned and that is the reason why thousands of Indian labourers are found in Burma. It is not the case that they have gone there of their own accord. They are wanted there.

We have to note what differences will take place as soon as this forced separation takes place. I do not want on this occasion to deal in detail with the question of separation and anti-separation. Everybody knows that the Burmans themselves are keenly divided on this issue of separation. I do not think they have been allowed to express

their view one way or the other in the legislative council. I believe you would remember the proceedings of the legislative council of Burma two or three years ago when there was a full dress debate for six days but a vote on the motion was not taken. Speakers were allowed to speak as long as they wanted. For six days the debate went on and the vote was not taken. The only conclusion is that if the vote had been taken it might have been in favour of the anti-separationists. With regard to the question of separation, we have to consider the attitude taken by the Indian community there. The Indian community have not been very active in this matter. That is due to the various pledges and assurances given by British statesmen. In the Burma sub-committee of the Indian Round Table Conference it was said that the legitimate interests of Indians and minorities would be safeguarded and there would be no discrimination on the question of entry into Burma. Later, in the Burma Round Table Conference it was urged that Indians should be allowed to enter freely and carry on trade without any restriction. Still more important is the declaration, might I say the pledge, given by the Prime Minister at the close of the Burma Round Table Conference when he said that all British subjects, including Indians would have equal rights. I want to ask the British Government whether the statement holds good and whether it has been translated into action or not. I can only say that the very reverse has been put into the provisions of the Bill. Nowhere do we find in this Bill anything to prove these pledges. It is on account of these pledges that the Indians in Burma have been lured to keep quiet. Otherwise our Indian brethren in Burma would have held many conferences and would have worried this Federation to consider this question three years ago. Indians, even those who felt that separation might mean some danger never felt that their present position would be jeopardised. They always thought that *status quo* will be maintained but the J. P. C. report came as a bolt from the blue. Not only did the J. P. C. report injure the interests of Indians, but it added insult to injury. In para 473, which I should call the notorious paragraph of the J. P. C. report, they charge Indian labourers like this. They say that Indian labourers accept small wages and tend to oust the indigenous labourer and to lower his standard of living. The committee in this respect echoed the opinion expressed by the Royal Commission on labour which based its opinion on the state of affairs which existed in Burma immediately after the unfortunate Indo-Burma riots of 1930. The cause for the Indo-Burman riots of 1930 was due to the economic condition of Burma and had nothing to do with Indian labour and its relation to Burmese labour. As a matter of fact one Mr. Bennison, who was appointed to go into the question of the stand-

ard and cost of living of the working classes in the city of Rangoon, after elaborate inquiry has stated in his report that these charges against Indian labourers are unfounded and untrue, and in spite of that report which is a document published by the Government of Burma we find that this aspersion is cast on the Indian labourer by the J. P. C. Another charge against the Indian community is that there are a class of indigenous bankers or money-lenders whose operations are such as to bring about transfer of the ownership of land from an indigenous agricultural population to a non-indigenous and non-agricultural class. They mean the numerous banking houses spread over the country; practically most of them belonging to the members of my community. There are about 1,300 firms nearly. Some of them have been closed on account of the depression. The Chettiars alone have invested in Burma about 75 crores of rupees. They pay by way of Income-tax, land tax and other taxes about a crore of rupees annually. Besides the Nattukottai Chetti community, there are Indians belonging to various other communities carrying on the business of money-lending and banking in various parts of Burma. The total investments in business and property of all the Indian communities engaged in banking and other businesses will be enormous. Owing to the depression and incidental to money-lending they have had to take over land in partial payment of debts due to them. Besides the Chettiars there are several Indians who have now come into possession of land. It is no doubt true that a large area of land has come into their hands but it is not as large as some people take it to be. Of the total of 185 lakhs of acres in Burma I think about 25 lakhs of acres of land have come into the possession of bankers but the allegation is that these Chettiars are anxious to own land. I shall presently prove that it is not so. The money-lender as you know is always anxious to have as much cash as possible and he takes over property only when there is no other option but to do it. The indigenous bankers in Burma have been responsible for the material development of Burma. I shall only read a small extract from the report of the Burma Banking Inquiry Committee:

> "The Chettiars are the mainstay of agricultural finance in this Province. They not only do a large, generally, the largest part of lending direct to agriculturists, they also finance to a considerable extent others who do such lending, etc. They have not only rendered a service in the past, playing in the development of Burma a necessary part which no other class has offered to play; without their support, or the substitution of some other banking system towards which no

steps have as yet been taken, the internal and external trade of the country would break down, and the rice crop could not even be produced."

Sir Harcourt Butler, a former Governor of Burma, said :—

"Without the assistance of the Chettiar banking system Burma would never have achieved the wonderful advance of the last 25 to 30 years. The Chettiars provide the necessary finance to the agriculturists in practically every village throughout the Province, and while enabling the Burman to greatly increase his production, they have, at the same time, undoubtedly inculcated ideas of thrift and economy by their insisting on regular payments as regards both principal and interest. The Burman to-day is a much wealthier man than he was 25 years ago and for this state of things the Chettiar deserves his share of thanks..... Those who know you best and whose dealings bring them in daily contact with you, have told me how deeply they appreciate your high standard of integrity. You, gentlemen, have gradually and carefully built up a remarkable system of banking throughout the Province, the ramifications of which are known to a very few except those who have taken the trouble to make a real study of the question. I feel confident that whatever future developments of banking may do for Burma, the Chettiar will always hold his own and prove himself in the years to come as he has done in the past, the real backbone of the Banking system throughout this Province."

This is enough to show the great contribution the bankers have made for the material development of Burma and hence the aspersions cast by the J. P. Committee which is the basis of the discriminatory legislation in the Bill are unfounded. The banking community who have got into possession of land are only anxiously waiting for a rise in the price of land, when they will have an opportunity of getting a portion of the money that they have invested. They would always like to dispose of it. They have no intention of owning land or carrying on the profession of agriculture.

The President of the Banking Enquiry Committee has stated as follows :—

"The present increase of lands in the Chettiars' hands is a reflection of the depression in the business of paddy cultivation and will disappear when that depression disappears and is not an indication that the Chettiars' heart has changed and made them greedy to get possession of land."

This is enough testimony to my statement that the Chettiars are only looking forward anxiously to the day when they can dispose of the land. Sir, the provision that affects us most is sub-clause (2) of clause 435 with regard to land alienation, according to which the Burma Legislature will be empowered to pass legislation restricting the free alienation of land. Once that is done, the lands now in the possession of Indians, will not have any value. Look at the enormous amount of money that has been sunk in Burma by your Indian fellow-countrymen, and if we are to be told that the land shall not be saleable except to Burman agriculturists, you may take it that practically all the land in their possession will be of no value and it will mean a very serious consequence to those who have got their business connections in Burma, and it will be simply ruinous to the entire community of persons who have been engaged in banking and other occupations in Burma and who have subsequently become land-owners. Sir, it is imperative that this clause should be deleted from the provisions of this Bill. If similar provisions had been in existence, say thirty years ago, it would not have been possible of achievement to have had 185 lakhs of acres of land. You only note for a moment, that in 1900 they had only 70 lakhs of acres and since then one crore of acres of land have been added in Burma, due to money lent by the banking community in that country.

Sir, I shall now deal with the provisions of the Bill regarding entry. It will be very interesting to know the structure of the Bill. In every clause you will find a separate sub-clause making a provision or safeguard for the Britisher. That is the chief characteristic of the entire Bill and you will find another sub-clause in some cases saying that the provisions of the sub-clause relating to the Britisher will apply *in toto*, or with certain modifications to Indians. Now with regard to entry please note the following provision ; sub-clause (2) of clause 340 of the Bill says :—

"Subject to the provisions of this chapter, a British subject domiciled in the United Kingdom shall be exempt from the operation of so much of any law of Burma as imposes by

reference to place of birth, race, descent, language, religion, domicile, residence, or duration of residence, any liability, restriction or condition in regard to travel, residence, the holding of property or public office, or the carrying on of any occupation, trade, business or profession."

As I said before this applies only to the British subject domiciled in the United Kingdom. This is made applicable to Indians by sub-clause (3) which runs as follows :—

"The provisions of sub-section (2) of this section shall apply in relation to Indian subjects of His Majesty domiciled in British India as they apply in relation to British subjects domiciled in the United Kingdom with the substitution for references to the United Kingdom of references to British India."

Sir, if this had remained alone, we would have no cause for complaint. But there is added on to it a proviso, reading as under :—

"*Provided that nothing in this sub-section shall affect any restriction lawfully imposed on the right of entry into Burma or such Indian subjects of His Majesty as aforesaid or any restriction lawfully imposed as a condition of allowing any such Indian subject to enter Burma.*"

This provision, sir, would nullify the effect of the previous sub-clause ; and I may also say in this connection that other provisions in the Bill giving equal rights to the Britisher and the Indian, say, in the matter of companies, are nullified by the provisions of sub-clause (3) of 340 which I have read out above. Thus with regard to directors, shareholders and agents of companies, if they are entitled to the same rights and privileges as the Britisher, by the clause whereby their entry into Burma may be restricted, those rights are nullified. Their interests which are very large would thus be at stake. In order to get advantage of the provisions for the enjoyment of equal rights they would first of all have to pass through a toll gate. Sir, there are two provisions in this Bill which refer directly to the question of entry. It is section 429 by which "His Majesty in Council may direct that during such period as may be specified in the Order immigration into Burma from India shall be subject to such restrictions as may be specified in the Order." There is another section 332, which says that—

"unless the Governor in his discretion thinks fit to give his previous sanction, there shall not be introduced into, or moved in, either Chamber of the Legislature (that is, Burma Legislature) any Bill or any amendment which..... affects immigration into Burma."

Sir, it is but small comfort for the Indian to be told that the Damocles' sword which is hanging over his head is held not by a hair but by a silken thread. Sir, I think I have dealt with the question of entry. With regard to land alienation, I am sure the facts I have given will convince anybody that, considering the enormity of the interests involved, it is necessary for the safety of Indian interests in Burma that this sub-clause relating to entry and land alienation should be deleted.

Now, sir, I shall be very brief in regard to the other points mentioned in the Resolution. With regard to the services, even now certain disabilities exist. The services have been manned to a large extent by Indians during the past few decades and they have done loyal service to the Government. They were therefore expecting that in the new dispensation the disabilities would be removed ; but now, alas, they find that these will be perpetuated. Sir, it is only right that our Indian brethren there should have equal opportunities with others. We should have safeguards for the retention of equal rights and privileges.

With regard to franchise and representation, I do not think we should lose sight of those privileges ; the Legislature is the only place where grievances could be ventilated and redressed. With regard to the franchise, the present qualification is a property qualification of the annual value of Rs. 200. This is sought to be reduced to Rs. 100. The rental qualification of Rs. 60 per annum is proposed to be reduced to Rs. 48. Now all this looks very pleasant on the surface, but if you go further, you will find that the qualifying period of payment of tax, which is now one year, is going to be increased to three years. This postulates three years' residence, and this will disenfranchise many Indians. It may be said that the Indian community is going to have separate electorates in Burma. What does it matter —whether there are ten thousand people or a hundred thousand people on the electoral roll. I feel that the larger the number, the greater the public opinion. It is essential that the Indian community there should be in touch with the affairs of the Government. The possession of the vote is one way of knowing the affairs of the Gov-

ernment. Is it too much for us to expect voting rights on equal footing with others, and it would not be unfair on our part to ask for our existing rights to be preserved in the future constitution with regard to the franchise. With regard to representation, the total population of Burma is 14½ millions and the Indian population is one million. The Karens who form as much a proportion as the Indian population are now getting six per cent representation in the Council and they are going to get ten per cent in the future Council, whereas the Indians, who are now having 8 seats out of 73 general seats, or 10 per cent, are going to have the same number of 8 seats only out of 119 general seats, which will amount only to 6½ per cent. So in the case of the Indians, there is a reduction in the representation that is allotted to them. With regard to special interests, I can only say that European interests who now have 3 seats have secured 5 seats, whereas for Indian interests they provide only 2 seats. I understand that the Burma Delegation in England have forwarded a memorial to the Secretary of State that they want 11 general seats instead of 8 as provided and 3 seats for Indian labour, instead of 2 as provided, and 5 seats for Indian commercial interests against 2 provided now, and I trust our demands will be conceded.

Sir, there is one other point which has been added in the Resolution, and that is with regard to the Indian State subjects. It is a very vital point, when you consider that nearly one-third of the commercial community come from Indian States. I have had information yesterday from Burma that 40 per cent of the members of the Burma Indian Chamber of Commerce come from Indian States, and that a third of the members of the Nattukotai Chettiars' Association hail from the Indian States. It is Pudukottah wherefrom some Chettiars have come to Burma. There are also several States in Northern India wherefrom Indians go to Burma. It is essential that their interests should be provided for. Now in the whole of this Bill there is no reference to Indian State subjects. Only British Indian subjects are mentioned. Therefore, it is necessary that all the provisions for privileges, etc., applicable to British Indian subjects should apply equally to State subjects from India.

In conclusion, I only wish to say that the Indian community in Burma are anxiously looking forward to the betterment of their case and they have been looking forward to this Federation also for support. I may say that the Indian community in Burma and all Indians are very grateful to the Federation's Committee for having expressed in no unmistakable terms their sense of protest against the provisions

in the J. P. C. report. The Bill has been published and now the subject has been thoroughly considered, and it is but proper that our Federation consisting of representatives having business connections in Burma should take this question in hand in right earnest and formulate their protest and demand. In this connection, I should only like to echo what my esteemed friend, Sir Purshotamdas Thakurdas said yesterday in his eloquent speech on Indians abroad with regard to the part which the Government of India and His Excellency the Viceroy should play. It was very pleasing for me to know from him that successive Viceroys have always fought for Indians abroad. With regard to Indians in Burma, whose position there is threatened, we can only look forward to the Government of India and the Viceroy for urging the Secretary of State to see that the position of Indians is made secure in our new Burma. I may say in this connection that the Indian Delegation which was deputed by the Burma Indian Conference recently, when they interviewed His Excellency the Viceroy, found that His Excellency was very sympathetic. The Indian Delegation that is now in London have placed our case before the Secretary of State for India and I hope he will remove the disabilities against Indians and concede our other demands for safeguarding our interests which are only legitimate. I think His Excellency Lord Willingdon has made up his mind to support the cause of Indians in Burma. I have reasons to believe that he is endeavouring his best to support us and the Indian community is grateful to His Excellency Lord Willingdon. I have no doubt that the Resolution, if accepted by this House, will go a great way to strengthen the hands of the Government of India and of the Viceroy in putting forward the case of Indians in Burma before the Home Government. (*Loud and prolonged cheers.*)

Mr. G. L. Mehta (Indian Chamber of Commerce, Calcutta): Sir, my task has been very much facilitated by the comprehensive and detailed speech, which we have just heard of Mr. Chettiyar who is vitally interested in the problem of Burma. I propose, Mr. President, to confine my remarks only to the question of the right of entry of Indians into Burma, because, as I hope to show, that is fundamental to the whole question of the position of Indians in Burma in future. Mr. Chettiyar has referred to the large interests of Indians in Burma and it is not often realized even by some of our leading men and politicians what interests Indians have in Burma. There are 10 lakhs of Indians in Burma, and if I may give some figures, it has been estimated that nearly Rs. 75 crores of Chettiar capital is invested in Burma. It has also been stated by the Provincial

Banking Enquiry Committee that of the total annual crop loans amounting to nearly Rs. 20 crores, more than half of the crop loans is financed by the Chettiars, who provide not only long-term loans for agriculture but also supply credit for marketing facilities and finance rice mills and small shop-keepers, particularly in the mofussil. Further, if you exclude oil, which is entirely carried on by oil tankers belonging to the companies themselves, the most substantial portion of the coastal trade of Burma is handled by Indian merchants from Cutch, Kathiawar, Surat and other places. Nearly one-third of the rice-milling industry in Burma is owned by Indians, nearly a half of the total property in Rangoon is owned by Indians and half the total taxes are paid by Indians. There are certain Bazar companies whose assets are worth nearly Rs. 4 crores. It is therefore no small interest that is at stake. As Mr. Chettiyar rightly pointed out, Indian immigration was not only welcomed but actively encouraged and assisted by the Government in the early stages. They required men to run their administration and so they imported clerks while they imported Indian labour in order to work the railways, docks and mills. And as my friend has rightly pointed out, it was made well-known all over India that Burma was a part of British India and therefore Indians could go and settle there. It is under that sense of legal security that Indians have gone and settled there without ever dreaming that Burma would be separated. Mr. Chettiyar has referred to the pledges in this connection beginning with the First Round Table Conference in which there was a special Burma Sub-Committee, and also the recommendation of the Burma Round Table Conference, as well as of the pledge of Mr. Ramsay MacDonald, who is still the Prime Minister of England at least in name. Mr. Ramsay MacDonald in concluding the session of the Burma Round Table Conference gave a definite pledge that there would be no discrimination against Indians. Mr. President, it is very difficult to know what is the value of pledges when imperial interests are involved. Only during the last week we have had the very sorry spectacle of the Finance Member of the Government of India contradicting himself three times during a week. (*Laughter*). Either some one was deliberately misleading the House or the incident showed utter incompetence of the bureaucracy. I am emboldened to say that it seems as if it was only when solemn pledges are broken by England's enemies that they are supposed to be just causes of war. Lord Salisbury, in referring to the promise of self-government, said that pledges need not always be observed, and the Archbishop of Canterbury, referring to the pledge of Dominion Status, observed that that was a promise which was hastily made and therefore it

could be leisurely repudiated. (*Laughter*). It seems that moral considerations are of no account when Britain's relationship with subject races or inferior peoples is concerned. Unfortunately, Mr. President, Statesmen unlike private individuals cannot be sued for breach of promise.

The main clause to which I shall confine myself is the clause in regard to the right of entry of Indians into Burma and this clause is of special importance. This clause 340 (3) of the Government of India Bill reads :—

> ".....Provided that nothing in this sub-section shall affect any restriction lawfully imposed on the right of entry into Burma of such Indian subjects of His Majesty as aforesaid or any restriction lawfully imposed as a condition of allowing any such Indian subject to enter Burma."

I would point out that this clause does not relate merely to the regulation of immigration of Indian labour, but is very wide in scope. It can include restriction of the right of any Indian national, any Indian who is trading, any Indian who is engaged in any profession to enter Burma, and there is another clause also, namely 429, which relates to the same subject. These clauses—I will explain their implications in a moment—owe their origin to the J. P. C. Report. In paragraph 472, of the Report, the Committee stated, "in as much as the association between India and Burma in the last fifty years has been particularly of a similar nature to that which has been built up over a longer period between the United Kingdom and India, Indians should be afforded in Burma *generally* the same measure of protection in regard to business avocations and commercial undertakings as we have recommended for United Kingdom subjects." I ask you to note the word "generally." This word "generally" is very significant because in the very fundamental question of the right of entry there is a distinction made not only between British Indian subjects of British India and British subjects of the United Kingdom but even between Indians and all other classes of immigrants. So far as I am aware, for the first time in the history of constitution-making of the British Empire power has been given to exclude Indians by specifically mentioning their name. Ever since Joseph Chamberlain opposed any *nominatim* discrimination (that is, discrimination by name) against Indians, even the worst kind of racial legislation in South Africa never excluded Indians *qua* Indians ; it mentioned Asiatics, or laid down certain literacy tests

which Indians could not fulfil. But this is the first instance in the history of the British Empire where Indians have been specifically mentioned for exclusion from a particular country. Again, all the guarantees are subject to this fundamental proviso about the right of entry. If a company cannot send its agents or directors or servants to Burma or their entry could be restricted, there is no point in saying that Indian company or Indian capital would be duly safeguarded in the new constitution according to certain clauses in the Bill which do safeguard them. Over and above that, British subjects of the United Kingdom are the only class of people who have been guaranteed a free right of entry by clause 340(1) of the Bill. Surprising as it may seem to some of you, the J. P. C. were aware of only three classes of Indians in Burma, namely the labourers, money-lenders and those engaged or employed in the permanent service of the Government. In their meticulous, dispassionate, scientific and comprehensive survey of the whole constitutional problem the J. P. C. forgot entirely and overlooked the large class of Indian merchants, shippers, Indian professional men like doctors and lawyers or shopkeepers, who for them did not seem to exist at all. The Committee, which began with some idea of regulating Indian immigrant labour in the interests of Burma, eventually ended by recommending restrictions on the right of entry of all Indian nationals. There was a reservation made by the Committee that the Governor's consent would be required and this proviso is also found in the Bill. We know what is the value of this safeguard from our experience in the different Dominions and Colonies, while the qualification that the Committee made about Indians of good standing who might be allowed entry is valueless because when they come to safeguards about services and professions, the J. P. C. Report observed that as regards the present position the existing restrictions are adequate and so far as the future is concerned, the question of the right of entry itself would be considered by the Burma Legislature and any guarantees were subject to that qualification.

What is the constitutional basis of this discrimination? If British subjects of the United Kingdom are given the free right of entry both in India and in Burma, and if it is claimed in India that British subjects can never be differentiated against, then we ask, how can Indians who are also British subjects be discriminated against in Burma? It is, to say the least, illogical. Mr. Chettiyar referred to the question of labour immigration. I would point out that even those labour leaders, some of whom are in favour of some kind of regulation of immigration of labour in consultation with the

Government of India, even they have objected to such restriction on the right of entry of Indians. I would quote what the Burma Indian Labour Conference presided over by Mr. N. M. Joshi said. They strongly protested in their resolution against the restrictions sought to be imposed on the right of entry of Indians into Burma, which, it was contended, "would be equivalent to giving the British Indian subjects a status in Burma inferior to that of British subjects of the United Kingdom." Mr. Pillay, a Labour Member of the Burma Legislative Council observed in a statement on the 10th February last, "We demand the inherent right of British subjects including Indians to have the legal right of entry into Burma which they have enjoyed from times immemorial being maintained. To put it in other words, India would not tolerate any legal inhibitions being placed in the way of the right of entry of Indians into Burma."

Sir, while British subjects of the United Kingdom have thus been given a free right of entry, special restriction has been proposed in case of Indians, and this exposes more than any other allegations or insinuations, the motives which have prompted the separation of Burma, and constitutes one of the most glaring instances of racial discrimination against Indians in the British Empire.

I submit that this restriction cannot be supported even on the ground of what is called reciprocity. In this connection, I would like to draw the attention of the House to a very important consideration which needs to be emphasised. During the debate in the House of Commons on the Government of India Bill early this month, a Conservative Member, Mr. Daniel Somerville, moved an amendment in regard to penal or discriminatory treatment of British goods. May I draw the attention of the House to clause 12 (*f*) of the Government of India Bill which reads as follows :—

> "the prevention of action which would subject goods of United Kingdom or Burmese origin imported into India to discriminatory or penal treatment."

You might remember this clause because it was claimed as one of the merits of the Mody-Lees Pact, that Mr. Mody had thereby prevented the imposition of any restrictions on the right of the future legislature of India to levy duties on British goods. This is one of Lancashire's gifts to Mr. Mody, for immediately after the conclusion

of the pact, there was this safeguard which definitely precludes any discriminatory or penal treatment of goods of the United Kingdom. I will say no more about it. But this also includes goods of Burmese origin. When Mr. Somerville moved his amendment to include all British Empire goods in this clause, Sir Samuel Hoare in resisting the amendment said that he was aware that there was considerable feeling in India about the treatment of Indians in the Dominions and Crown Colonies, and he said that he did not want to deprive India of an instrument of negotiation which could be used as a lever for settling outstanding questions with the Dominions and Crown Colonies like emigration. But the irony of the situation is that goods of Burmese origin also have been included in this, and why? It is very curious that those British interests which contended that the fiscal policy of India with its high tariffs was one of the main arguments for separation, that Burma was not interested in the development of the steel industry at Jamshedpur or the textile industry of Bombay or Bengal—these gentlemen now have been the keenest to impose that fiscal policy on Burma. They have been the keenest to preserve and continue the *status quo* for five or ten years. This is rather significant and shows the value of their solicitude for the Burmese consumers and agriculturists. By the inclusion of Burmese goods in this clause, the Government want to deprive us of the one and only weapon of retaliation we have. In case Burma treats Indians unfairly, then this lever of discriminatory and penal treatment of Burmese goods can be used against Burma. What an important lever it is you will realise from the fact that nearly 50 per cent of the exports from Burma come into India and out of her total exports of about 30 crores of rupees nearly 25 to 27 crores are constituted by such commodities as rice, timber and oil for which the principal and in some cases the only market is India. But lest the British interests trading between India and Burma should be affected by tariff-war, they want to force the *status quo* on Burma and India and even want to prevent India from exercising this right in future in case the Indians are ill-treated in Burma. Sir, neither the ground of common citizenship of the British Empire of which we hear so much, nor the ground of the partnership of Britain and India nor again the ground of reciprocity can justify this restriction of the right of Indians to enter Burma. It is a reminder once more as Sir Purshotamdas Thakurdas said yesterday that Indians have no self-respecting place within the British Empire. Mr. President, we are "the Harijans" of the Empire. I believe, sir, I have said enough to show the importance of this question and the reason that lies behind this Resolution.

In conclusion, I will sum up by emphasising four or five points. In the first place, as I said, Indians alone have been singled out for this invidious discrimination and treatment and ban as I showed from Clause 340(3). It therefore relegates Indians to a definite position of inferiority not only as compared to British subjects of the United Kingdom but as compared to any other class of immigrants. In the second place, this is the first time in the history of constitution-making in the British Empire that there has been discrimination by name and that power has been given to a legislature, which is even now a provincial legislature and of a country with which, as Mr. Chettiyar pointed out, India has long and historic connection going back to pre-historic times, to exclude Indians specifically by name. Then, sir, the restriction is applicable not only to Indian labour but to all classes of Indians whether engaged in trade or business or profession. I would remind you that it constitutes a deprival of the right which they enjoy at present. It tends to nullify all the other safeguards to a larger or smaller extent because all the other guarantees are subject to the proviso about the right of entry into Burma. What is more, this restriction of immigration might, as in other Dominions and Colonies, lead to a gradual deprival of the rights of remaining Indians. Both the British Government and the Government of India owe a duty to Indians in Burma. If Britain wants to separate Burma and annex it as she pleases for her own interests, she has certainly an obligation to fulfil towards Indians who have gone and settled there and established themselves there and invested money in industrial enterprises and buildings and lands and trade. I also submit that while the question of safeguarding of Burmese labour is undoubtedly the concern of the Government of Burma, since there has been a large and annual regular immigration into Burma from India to the extent of nearly 2 lakhs persons, it is certainly a matter which deserves the very serious consideration of the Government of India because it is a question of safeguarding the rights and interests of Indians abroad, and in a territory which has been a part of India and which is still a part of India and a Province of India, but which is being sought to be separated for reasons of imperial politics. Considering the present position of Indians in Burma we are irresistibly reminded of the analogy of Kenya. The two cases are not exactly on a par. But there are certain very similar features between the two. Kenya was also one of the oldest and one of the nearest outlets of Indian emigrants. Although Indians were the pioneers there and developed that territory by their own capital and by their efforts and labour when the moment was ripe, British interests became predominant

and the Indians were relegated to a subordinate position. It will be remembered that under the White Paper, not the famous White Paper relating to India, but the White Paper about Kenya in 1923, the Imperial Government established two separate citizenships on the basis of colour through francise on racial lines and created an inferior citizenship for Indians. They exclusively reserved the Highlands for the Whites and imposed restrictions on the immigration of Indians. The same fate is overtaking Indians in Zanzibar. In Burma, Indians do not want any exclusive privileges, any exclusive rights, any monopolistic position, they only want a continuance of the elementary rights which they have enjoyed hitherto. Unless the Government of India wish to see repeated in Burma the sordid history of the tale of exclusion and humiliation of Indians from the Dominions and Crown Colonies, they should use their authority and influence to secure and ensure the right of free entry of Indians into Burma. I would recall in this connection the words of a famous British statesman, Lord Palmerston, during the Don Pacifico incident when he stated that "as the Roman in days of old held himself free from indignity when he could say *'civis Romanus sum'* so also a British subject in whatever land he may be shall feel confident that the watchful eye and the strong arm of England will protect him from injustice and oppression." We demand that the Government of India should do nothing more and nothing less. (*Applause.*)

Mr. B. Das (Bihar and Orissa Chamber of Commerce): Sir, with your permission, I am intervening to raise one vital issue that we will have to face in case when Burma is separated and it is "the effect of separation of Burma on the public finances of India." The Howard Nixon report which has now been examined by a tribunal raises five issues which have to be examined by that tribunal and by the public of India. These are the (*a*) debt position of Burma, (*b*) the share of currency and reserve, (*c*) Burma pensionary charges, (*d*) the defence charges, and (*e*) the revenue position of the two countries. Although the Federation in a letter addressed to the Government of India asked to be allowed to send representatives of the Federation to represent the view of the Federation on the public finances over separation of Burma, the Government of India did not reply to that letter, nor was the Federation asked to send any of their representatives to the tribunal. The other day the Finance Member told us in the Assembly that the tribunal has already reported and the Assembly would be permitted to express its views and that would go as the opinion of the public in India. As I can foresee

I believe a debate will take place on the floor of the House before the 10th April when the Assembly will very likely come to the conclusion of its labours. I would very much like that the Federation, the authoritative body on finance and economics as it is, would express their views by means of a letter or a Resolution or if the Federation will not have the time to examine the Report of the tribunal the President of the Federation might be authorised to come post-haste to Delhi or communicate by telegram the views of the Federation so that the politicians are not misguided and so that they might not express views contrary to the authoritative view of this august body. I would only point out one particular aspect about the debt position. While the Howard Nixon Committee report says that it is 60 crores for Burma, Sir George Schuster expressed his opinion in 1932 in a debate on the floor of the Assembly that it was 70 crores. Professor K. T. Shah gave it as his view in 1932 that it must be Rs. 100 crores. I was told only this morning that Professor Shah has further examined the position and he is now of opinion that it is about Rs. 150 crores. As regards the share of currency reserve, while Burma wants to enjoy the share of revenue to the extent of 10·5 per cent, the Howard Nixon report has awarded 21 per cent of the gold reserve to Burma and 35 per cent of the silver reserves and a similar proportion of notes. How far the mercantile community in India will support this and how it should affect the public finances of India will have to be borne in mind by this Federation. As regards the pensionary charges, the Burma Government and Sir Henry Howard want that Burma should only bear five per cent of the pensionary charges. Yet when we come to defence expenditure they want that Burma should only bear $1\frac{1}{2}$ crores out of the defence expenditure of India. The common sense point of view is that if Burma can demand $10\frac{1}{2}$ per cent of the receipts, then she should pay $10\frac{1}{2}$ per cent of the defence charges which will be $4\frac{1}{2}$ crores, particularly when Burma is to defend the North-Eastern Frontier Province that is being created by the military genius in India.

I come lastly to the revenue position. There has been negotiations for an Indo-Burma trade agreement. I do not think that our representatives, while assisting in those negotiations, expressed their views as to how far it will improve the financial position of Burma and how Burma would get Rs. $3\frac{1}{2}$ crores excess of revenue as it was anticipated in the Howard Nixon report or as Mr. Tyabji pointed out before the Joint Parliamentary Committee in London that it would be only Rs. 2 crores which will include 92 lakhs loss on the Burma railways. These are points that require to be examined and

I do hope, talking as a Member of the Assembly here, that the Federation will express their views on the financial position so that the country speaks one mind and my friend Mr. G. L. Mehta will then find the politicians and the merchants will be of one mind in that matter. (*Applause.*)

President: The Resolution has been moved, seconded and supported. I put it to the vote of the House.

The Resolution was declared adopted unanimously.

President: We now come to Item No. 4 on the Agenda: Election of Office-Bearers for the year 1935. I will ask the Secretary to read to you the names of Office-Bearers as elected.

Secretary:

President

Lala Padampat Singhania

Members of the Committee

1. Mr. Kasturbhai Lalbhai
2. Mr. G. D. Birla
3. Sir Purshotamdas Thakurdas, KT., C.I.E., M.B.E.
4. Mr. Manu Subedar
5. Mr. A. D. Shroff
6. Lala Shri Ram
7. Seth Walchand Hirachand
8. Mr. Nalini Ranjan Sarker
9. Mr. Chunilal B. Mehta
10. Mr. M. L. Dahanukar
11. Lala Ramjidas Vaishya
12. Lt. Sardar P. S. Sodhbans

Honorary Treasurers

1. Mr. D. P. Khaitan
2. Sir Hari Sanker Paul, KT., M.L.C.

Representative of the Federation in Germany

President : The next item on the agenda is the consideration of the question of renewing the office of the representative of the Federation in Germany.

Gentlemen, this question was considered in the Executive Committee meeting of the Federation when it met in Delhi last February. It was practically unanimous in the opinion that such a representative, if one could be had, will be very helpful to the industry and trade of the country. But as it required your sanction and as it was necessary to know your wishes in the matter, the appointment has not been filled up pending your decision. I hope you will unanimously accord your approval to the proposal which has been approved of by the Executive Committee. I now put it to the House whether any one is against it or any one desires to speak in favour or against the proposal for the appointment of a representative of the Federation as we had one in Dr. Pillay for three years previous to his untimely sad death.

As there is no one against the proposal I take it that it is the unanimous desire of the House that such an appointment be made and the Executive Committee be requested to proceed further with the appointment of a proper person.

Election of Honorary Auditors

President : The next item on the agenda is the election of Honorary Auditors for the year 1935. Our practice in the past has been that the auditors of the firm of the President, whoever they may be, are the honorary auditors also of the accounts of the Federation. In this case the auditors of our incoming President are Messrs. S. B. Billimoria & Co., and their representative Mr. Raiji is present here and I dare say he will accept the appointment honorarily without any hesitation as in the past. (*Mr. Raiji signified assent*). Thank you, Mr. Raiji.

Mr. G. D. Birla (Indian Chamber of Commerce, Calcutta) : Mr. President and Gentlemen, it is my privilege now to move a Resolution on behalf of this assembly which reads as follows :—

VOTE OF THANKS TO THE PRESIDENT

"The Federation expresses its deep sense of appreciation of the services rendered by its President, Mr. Kasturbhai Lalbhai, during the term of his office and records its warmest thanks."

Gentlemen, it is a common convention in such gatherings that the speaker is called upon by the President to move his Resolution. But in this case, sir, I confess that I have neither been called upon nor have I taken the permission of the President because I fully know my strength and realise that the whole House stands behind me, and if the President were to disallow such a Resolution he would find himself in an isolated minority of one. (*Laughter.*) Sir, I need not eulogise the services rendered by you during the term of your office. The report of the Committee is before the House and I can say from my personal experience that but for your untiring zeal and inspiration and guidance, the Committee would not have been able to achieve what it has. I have at times speculated as to what qualifications a President of this Federation should possess. It may be some would prefer a big orator presiding over the deliberations of this House; whereas others may be biassed in favour of a big lawyer. These qualifications undoubtedly are great, but then as all know, gentlemen, this House is a house of businessmen and we would always need a chief who knows about our needs and who in times of difficulty can guide us towards our defined goal. If I may say a little vulgarly, this is a House of *Banias* and we want in our President a real *Bania* and we, sir, have found in you a *Sardar* of *Banias*. (*Laughter.*) You are one of those businessmen who have fought the battle of business and succeeded, and you know the requirements and needs of the Indian mercantile community. But there is something more in you which qualifies you to be a successful President, and that is this that your enthusiasm for enterprise does not make you blind to justice, fair play and a desire for service. That is the great thing that is necessary these days when capitalism, even of the healthy type, is being invaded from many sides; and we congratulate ourselves that we got in you, sir, a President who possessed these great qualifications. A friend of mine, who possesses mischievous pranks, said to me just now, and I think rightly too, that our President has the great qualities of punctuality, speed and, he said, autocracy. (*Laughter.*) Well, sir, if those are the qualities that you have got, I say they are great qualities, and may God help you to retain them. Sir, on behalf of this House, I accord

my warmest thanks to you and I hope the House will accept it with great acclamation. (*Applause and Cheers.*)

Pandit K. Santanam : Gentlemen, I wish to associate myself with what Mr. Birla has said in proposing a vote of thanks to the Chair. Our President is very young in years but he is very old in wisdom. And one thing at least he has learnt or rather it is a gift which he possesses, and perhaps he has cultivated it to its perfection, and that is that he has a most charming and disarming smile which discourages opposition. It is very evident from the fact that the proceedings of this Conference have gone on very expeditiously and very smoothly without the least hitch. He has got very great tact and what is more, he has got a firm adherence to principles which has helped him to safeguard the interests of the mercantile and industrial community during this year as probably no other President has done before. We need not enlarge upon the services he has done because it is all patent to us. It is a matter of pity that the convention of the House does not allow us to retain his services for another year, otherwise we would gladly have done so. Gentlemen, Mr. Birla in eloquent terms has defined all the qualities that a President should possess or this President has possessed, and I only wish that our incoming Presidents, not only for this year, but in future years also, will possess those same qualities and exercise them in as charming a manner so as to make the work of the association a pleasure throughout. I heartily second this proposition which I hope will be carried with acclamation. (*Applause and Cheers.*)

Mr. Padampat Singhania: Mr. President and Brother Delegates, I consider it a great privilege of mine indeed to have to accord a vote of thanks to our President on behalf of the Executive Committee. I hope you will excuse me, sir, if I fail to give an adequate expression to my sentiments on this occasion.

The year that has just passed for the Federation under the stewardship of Mr. Kasturbhai Lalbhai has been marked by a series of very useful activities, a full account of which you have received in the Secretary's Report. But no formal record of the activities of the Federation can give you the correct idea of the tremendously difficult task which rests on the shoulders of your President. Believe me, gentlemen, "Uneasy lies the head that wears" your crown. As the accredited leader of the Indian business community, Mr. Kasturbhai Lalbhai had his full share of anxiety during the term of his office when one after another nails were being driven

last year across the coffin of India's Fiscal Autonomy by such measures as Mody-Lees Pact, Indo-British Trade Agreement and the Ottawa Pact. If it is pardonable for a man younger than himself to say so, I would say that though Kasturbhaiji was the youngest of the Presidents of the Federation, he made up by his judgment what he lacked in years. Personally I have been amazed with Kasturbhaiji's method of handling details. The skill he displayed in the course of the deliberations of the Executive Committee in adjusting divergent views revealed to my mind the essentially well-meaning and magnetic personality that he is.

With these few words, gentlemen, I accord the vote of thanks and hope you will carry it amidst applause.

I have to thank you, gentlemen, on my own behalf for the honour you have done me by electing me your President for the coming year. I know many persons among you, brother delegates, who possess wider experience and better training than myself. I take my election, however, as a reflection of your affection towards me. Gentlemen, I am comparatively new to a position like the Presidentship of the Federation, and if it is your kindness alone which is responsible for calling me to this office, I feel that so long as I hold this office, it is your forbearance and co-operation alone which will maintain its prestige and reputation. We may hold differences of opinion, but none whatsoever so far as our aims and objects are concerned. There are yawning pitfalls we must avoid—let us not be swayed by an idealism which will lead us into wilderness or by shortsightedness which can only lead us to disruption.

I wish I could successfully discharge my duties in a true spirit of service and I shall feel amply awarded if at the end of the year the established traditions of the Federation are fully maintained and its activities further ameliorate the interests of our motherland.

Gentlemen, I thank you all once again most sincerely for the confidence you have reposed in me.

Mr. Kasturbhai Lalbhai : Friends, to have been chosen as the spokesman of the industry and commerce of India was not a small honour that was bestowed on me when you elected me as your President last year. I was fully cognisant of the honour and I did feel then and I do feel now that I did not deserve it as fully and well as it has been estimated by many friends. But if anything persuaded

me to accept that responsibility of the office of the President of the Federation, it was with a view that if I could be of any service to the commercial and industrial community of India, I should not hesitate in any manner. If the term of my office has been successful it is not because of the ability that I possess nor of the tact that has been spoken of by the speakers, but particularly because of the co-operation and the brotherly way in which the members of the Executive Committee treated me all along the various committee meetings that were held, and the co-operation that you were so kind enough to give me on these two days of our deliberations. I only wish and hope that our deliberations in future may be as happy, as friendly, and as brotherly as they have been during the term of my office, and I consider it a great honour that was bestowed upon me. I only hope that those relations may continue for the betterment of the trade and industry of the country in future. I thank you, gentlemen, sincerely.

As you know, gentlemen, our practice has been to have honorary auditors for the accounts of the Federation. The accounts of the year under report were audited by the auditors of my company, Messrs. Sorab S. Engineer and Co., and it is only right that we should convey to them our best thanks for having done the work honorarily and ably. I also ought to mention that my duties would not have been adequately discharged but for the very capable and willing Secretary we have got in Mr. Mulherkar, to whose ability every member of the Executive Committee will fully testify. His willingness to work at any odd hours and carry out instructions given at any time of the day has been chiefly responsible for the able manner in which the business of the Executive Committee as also the annual session is being transacted. We record our vote of thanks, with your support.

President : I have now a most pleasant duty to perform, and that is to accord you, gentlemen, who have come here from distant parts of the country as delegates representing the various Chambers of commerce and industry our hearty vote of thanks for the co-operation that you gave me and for the trouble you have taken to come all the distance to enliven the proceedings of our debate during the last two days. I thank you, gentlemen, again.

We have to thank our two scrutineers Mr. A. C. Ramlingam and Mr. P. Raghavan Nair for the scrutiny of the ballot papers.

Well, gentlemen, we are now terminating our proceedings and soon after, the Executive Committee, which has been elected, will meet in the adjoining room to transact the little business that is left over. I would request the gentlemen who are present now in this Hall not to go away without partaking of tea and other refreshments. These have not been served here so that our proceedings may not be disturbed, but I do hope that no one in this Hall will go away without having a cup of tea.

I again thank you, gentlemen.

The proceedings of the Eighth Annual Session of the Federation then came to a close.

APPENDIX A.

LIST OF MEMBER-BODIES OF THE FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY WITH THEIR REPRESENTATIVES.

Names of Members.	Names of Representatives.
1. The Ahmedabad Millowners' Association, Ahmedabad.	1. Sheth Kasturbhai Lalbhai. 2. Sir Chinubhai Madhowlal Ranchhodlal (Bart.). 3. Sheth Popatlal H. Nagri. 4. Sheth Jayantilal Amratlal.
2. The Baroda Millowners' Association, Baroda.	1. Seth Harivallavdas Kalidas. 2. Raj Ratna Raj Mitra Sheth Chimanlal Girdherlal. 3. Raj Ratna Sheth Bhailalbhai Dajibhai Amin. 4. R. R. Sheth Anadlal Hiralal.
3. Behar & Orissa Chamber of Commerce, Patna.	1. Mr. B. Das, M.L.A. 2. Babu Balkrishna Das. 3. Babu Gurusharan Lal. 4. Mr. N. N. Rakshit.
4. Bengal National Chamber of Commerce, Calcutta.	1. Mr. Nalini Ranjan Sarker. 2. Sir Hari Sanker Paul. 3. Mr. D. N. Sen. 4. Mr. Bimal Coomar Ghosh.
5. Berar Chamber of Commerce, Akola.	1. 2. 3. 4.
6. Bombay Bullion Exchange Ltd., Bombay.	1. Mr. Chunilal Bhaichand Mehta. 2. Mr. Lachhmandas Harakhchand Dagha. 3. Mr. Govindlal Bansilal Pittie. 4.

Names of Members.	Names of Representatives.
7. Bombay Shroff Association, Bombay.	1. Seth Mohanlal Ambalal Parikh. 2. Seth Pratapray Manmohandas Mehta. 3. Seth Sakalchand G. Shah. 4. Seth Shankerlal Chandulal Sura.
8. Burma Indian Chamber of Commerce, Rangoon.	1. 2. 3. 4.
9. Buyers & Shippers Chamber, Karachi.	1. Mr. Hoshang N. E. Dinshaw. 2. Mr. W. M. Muzumdar. 3. Mr. Mahomed Ali A. K. Alavi. 4. Mr. T. S. Thadhani.
10. Cawnpore Kapra Committee, Cawnpore.	1. Rai Sahib Lala Gopinath Mehrotra. 2. Mr. Ramratan Gupta. 3. Lala Gurprasad Kapoor. 4. Lala Manik Lal Newatia.
11. Deccan Merchants' Association, Bombay.	1. 2. 3. 4.
12. Delhi Factory Owners' Federation, Delhi.	1. Lala Shri Ram. 2. Mr. Baij Nath Sayal. 3. Mr. Raj Bans Bahadur. 4. Mr. J. P. Mandelia.
13. Delhi Hindustani Mercantile Association, Delhi.	1. Lala Amir Chand Khosla. 2. Lala Panna Lal Jain. 3. Seth L. N. Gadodia. 4. Lala Padam Chand.
14. East India Jute Association Ltd., Calcutta.	1. Mr. S. N. Kanoria. 2. Mr. Nandkishore Kanoria. 3. Mr. Babulall Kasera. 4. Mr. J. L. Pandit.

Names of Members.	Names of Representatives.
15. Godaveri Chamber of Commerce, Coconada.	1. 2. 3. 4.
16. Grain Merchants' Association, Bombay.	1. Mr. Ratilal Mulji Gandhi. 2. Mr. Pachubhai Mansey. 3. Mr. Vallabhdas Peraj. 4. Mr. Haridas Velji.
17. Gwalior Chamber of Commerce, Lashkar, Gwalior.	1. Lala Ramji Das Sahib Vaishya. 2. Mr. S. R. Khandkey. 3. Mr. D. D. Nagori. 4. Mr. S. R. Dhariwal.
18. Indian Chamber of Commerce, Calcutta.	1. Mr. A. L. Ojha. 2. Mr. G. D. Birla. 3. Mr. D. P. Khaitan. 4. Mr. G. L. Mehta.
19. Indian Chamber of Commerce, Lahore.	1. Sardar Sardul Singh Caveeshar. 2. Mr. S. H. Bhalaya. 3. Lt. Sardar P. S. Sodhbans. 4. Mr. S. L. Tuli.
20. Indian Insurance Companies Association, Bombay.	1. Mr. J. C. Setalvad. 2. Mr. B. J. Mody. 3. Mr. S. C. Muzumdar. 4. Mr. L. M. Mitra.
21. Indian Insurance Institute, Calcutta.	1. Mr. N. M. Roy Choudhury. 2. Mr. S. Bagchi. 3. Mr. S. C. Ray. 4. Mr. J. N. Ghosh.
22. Indian Life Assurance Offices' Association, Bombay.	1. Mr. K. C. Desai. 2. Mr. J. P. Dutia. 3. Pt. K. Santanam. 4. Mr. P. C. Ray.

Names of Members.	Names of Representatives.
23. Indian Merchants' Association, Chittagong.	1. Mr. C. A. Buch. 2. Rai Upendra Lal Roy Bahadur. 3. Mr. Suresh Chandra Banerjee. 4. Babu Amerchand Bhawan.
24. Indian Merchants' Chamber, Bombay.	1. Mr. Manu Subedar. 2. Mr. Rahimtoola M. Chinoy. 3. Mr. A. D. Shroff. 4. Mr. M. C. Ghia.
25. Indian Mining Federation, Calcutta.	1. Rai Bahadur P. Mukherjee. 2. Rao Bahadur D. D. Thacker. 3. Mr. K. Dutt. 4. Mr. B. N. Banerjee.
26. Indian National Steamship Owners' Association, Bombay.	1. Mr. Walchand Hirachand. 2. Mr. Kaikobad Cowasji Dinshaw. 3. Mr. Shariff Hassum. 4.
27. Indian Produce Association, Calcutta.	1. Mr. Jwala Prasad Mandalia. 2. Mr. Hira Chandjee Dhariwal. 3. Mr. Rameshwarji Bediwal. 4. Mr. Bansi Dharjee Daga.
28. Indian Salt Association, Bombay.	1. Mr. Huseinbhoy A. Laljee. 2. Sir Purshotamdas Thakurdas, Kt. 3. Mr. Jamshed N. R. Mehta. 4.
29. Indian Sugar Mills Association, Calcutta.	1. Seth Haji Abdulla Haroon, M.L.A. 2. Lala Hariraj Swarup. 3. Seth Chhotalal Kilachand. 4. Lala Shankar Lall.
30. Indian Tea Planters' Association, Jalpaiguri.	1. Mr. Debes Chandra Ghosh. 2. Mr. Nalini Ranjan Ghosh. 3. Mr. A. Dutta. 4. Mr. P. N. Bannerjee.

Names of Members.	Names of Representatives.
31. Jute Balers' Association, Calcutta.	1. Mr. Hariram Saraogi. 2. Mr. Gopichand Chopra. 3. Mr. Gouriprasad Khaitan. 4. Mr. Santoshchand Bararia.
32. Karachi Indian Merchants' Association, Karachi.	1. Seth Hiralal Sheolal Sharma. 2. Seth Lalji Mehrotra. 3. Lala Jaswantrai Churamani. 4. Mr. R. K. Sidhwa.
33. Maharashtra Chamber of Commerce, Bombay.	1. Mr. Walchand Hirachand. 2. Mr. M. L. Dahanukar. 3. Mr. B. D. Garware. 4. Mr. G. S. Uplekar.
34. Marwari Chamber of Commerce, Bombay.	1. Mr. Lachhmandas Daga. 2. Mr. Begraj Gupta. 3. Mr. Sagarmal Loyalka. 4. Mr. Umashankar Dikshit.
35. Merchants' Chamber of United Provinces, Cawnpore.	1. Lala Padampat Singhania. 2. Mr. S. M. Bashir. 3. Mr. N. K. Bhartiya. 4. Mr. Ram Narain Garg.
36. Mysore Chamber of Commerce, Bangalore.	1. Mr. R. Sundram Iyer. 2. Rajasabhabhusana K. R. Srinivasiengar, M.A. 3. Mr. Devarao Shivaram. 4. Mr. G. Narain Rao Naik.
37. Native Share and Stock Brokers' Association, Bombay.	1. Mr. Amratlal Kalidas. 2. Mr. Jagmohandas J. Kapadia. 3. Mr. Jamnadas Mathuradas Baxi. 4. Mr. Jamnadas Morarjee.
38. Nattukkottai Chettiars' Association, Rangoon.	1. 2. 3. 4.

Names of Members.	Names of Representatives.
39. Seeds Traders' Association, Bombay.	1. Mr. Ratilal Mulji Gandhi. 2. Mr. Ramdas Kilachand. 3. Mr. Gordhandas Jamnadas. 4. Mr. Nandlal Mulji Bhuta.
40. Southern India Chamber of Commerce, Madras.	1. Kumararajah M. A., Muthiah Chettiar of Chettinad. 2. Mr. M. Mohomed Ismail Saib. 3. Mr. Narayandas Girdhardas. 4. Mr. V. Ramdas Pantulu.
41. Southern India Skin and Hide Merchants' Association, Madras.	1. Mr. M. Jamal Mahomed Sahib. 2. Mr. C. Abdul Hakim Sahib. 3. Mr. P. Abdul Kader Sahib. 4. Mr. K. Mohamed Ismail Sahib.
42. Southern India Textile Association, Coimbatore.	1. 2. 3. 4.
43. Telikanta Brokers' Association, Calcutta.	1. 2. 3. 4.
44. United Provinces Chamber of Commerce, Cawnpore.	1. R. B. L. Rameshwar Prasad Bagla. 2. L. Girdharilal Bajaj. 3. Mr. I. D. Varshnei. 4. Mr. Ranjit Singh.
45. The Andhra Chamber of Commerce, Madras.	1. Mr. K. Nageswara Rao. 2. The Hon'ble Mr. Y. Ranganayakulo Naidu. 3. Mr. V. Ramdas Pantulu. 4. Mr. V. Venkateswara Sastrulu Garu.

Names of Members.	Names of Representatives.
46. The Karnatak Chamber of Commerce, Gadag.	1. Mr. Y. Mahabaleshwarappa. 2. Mr. V. B. Bellary. 3. Mr. Raghavendrarau Munderji. 4.

CORRESPONDING MEMBER :

1. Indian Chamber of Commerce in Great Britain, London.

EX OFFICIO REPRESENTATIVES

[Under Rule 7(*b*)]

Seth Mathuradas Vissonji, M.L.A., Bombay.

R. B. Shivrattan G. Mohotta, Karachi.

APPENDIX B.

Office-Bearers for the year 1935

PRESIDENT :

Lalá Padampat Singhania.

VICE-PRESIDENT :

Mr. D. P. Khaitan.

MEMBERS OF THE COMMITTEE :

1. Mr. Kasturbhai Lalbhai (Ahmedabad Millowners' Association, Ahmedabad).
2. Mr. G. D. Birla (Indian Chamber of Commerce, Calcutta).
3. Sir Purshotamdas Thakurdas, KT., C.I.E., M.B.E. (Indian Salt Association, Bombay).
4. Mr. Manu Subedar (Indian Merchants' Chamber, Bombay).
5. Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay).
6. Lala Shri Ram (Delhi Factory-owners' Federation, Delhi).
7. Seth Walchand Hirachand (Maharashtra Chamber of Commerce, Bombay).
8. Mr. Nalini Ranjan Sarker (Bengal National Chamber of Commerce, Calcutta).
9. Mr. Chunilal B. Mehta (Bombay Bullion Exchange, Bombay).
10. Mr. M. L. Dahanukar (Maharashtra Chamber of Commerce, Bombay).
11. Lala Ramjidas Vaishya (Gwalior Chamber of Commerce, Lashkar).
12. Lt. Sardar P. S. Sodhbans (Indian Chamber of Commerce, Lahore).

HONORARY TREASURERS :

1. Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta).
2. Sir Hari Sankar Paul, KT., M.L.C. (Bengal National Chamber of Commerce, Calcutta).

CO-OPTED MEMBERS :

1. Mr. S. M. Bashir, Cawnpore.
2. Pandit K. Santanam, Lahore.
3. Mr. M. Muhammad Ismail, Madras.
4. Mr. B. Das, M.L.A., Cuttack.
5. Mr. A. L. Ojha, Calcutta.
6. Mr. Hoshang N. E. Dinshaw, Karachi.

SECRETARY :

Mr. D. G. Mulherkar.

OFFICE ADDRESS : Kamala Tower, Cawnpore.
TELEGRAPHIC ADDRESS : Unicomind, Cawnpore.

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

PROCEEDINGS OF THE

NINTH ANNUAL MEETING

Held at Delhi on the 4th and 5th April, 1936.

Vol. III

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OFFICE BEARERS FOR THE YEAR 1936-1937.

President:

MR. D. P. KHAITAN.

Members of the Committee.

1. Mr. A. D. SHROFF, Bombay.
2. ,, MANU SUBEDAR, Bombay.
3. ,, KASTURBHAI LALBHAI, Ahmedabad.
4. LALA SHRI RAM, Delhi.
5. MR. G. D. BIRLA, Calcutta.
6. SIR PURSHOTAMDAS THAKURDAS, KT., C.I.E., M.B.E., J.P., Bombay.
7. PANDIT K. SANTANAM, Lahore.
8. LALA PADAMPAT SINGHANIA, Cawnpore.
9. MR. RAHIMTOOLA M. CHINOY, Bombay.
10. ,, M. L. DAHANUKAR, Bombay.
11. ,, WALCHAND HIRACHAND, Bombay.
12. ,, CHUNILAL B. MEHTA, Bombay.

Honorary Treasurers:

1. MR. A. L. OJHA, Calcutta.
2. DR. S. C. LAW, Calcutta.

Secretary:

MR. D. G. MULHERKAR.

Office: 135, Canning Street, Calcutta.

Telegraphic Address: "Unicomind", Calcutta.

Volume III

PROCEEDINGS OF THE

NINTH ANNUAL MEETING

Held at Delhi on the 4th and 5th April, 1936.

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

NOTE

At each Annual Session of the Federation, a report, being the proceedings of the Committee, is submitted for adoption. This is followed by another publication being the proceedings of the Annual Session. This year an addition of another volume is made by publication of important and relevant correspondence and documents relating to important questions dealt with by the Federation during the year 1936-37. The three volumes are :

Volume I. Report of the Proceedings of the Committee of the Federation for the year 1935-36 with audited statement of accounts for the year 1935.

Volume II. Important correspondence and documents.

Volume III. Proceedings of the Ninth Annual Session of the Federation.

The first and second volume are already published ; and the third volume is now issued.

135, CANNING STREET,
Calcutta, 28th June, 1936

D. G. MULHERKAR,
Secretary.

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With the compliments of

The Secretary

Federation of Indian Chambers of Commerce & Industry.

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY.

Proceedings of the Ninth Annual Session held in Delhi on the 4th and 5th April 1936.

The Ninth Annual Session of the Federation was held in Delhi at the Old Assembly Hall, Alipore Road, on Saturday the 4th April 1936, at 11 A.M. with the President, Lala Padampat Singhania in the Chair.

Amongst the distinguished persons who accepted the invitation of the Committee to be present were—

Mr. Bhulabhai J. Desai, M.L.A., Mr. A. C. Dutt, M.L.A., Sir Darcy Lindsay, M.L.A., Mr. S. Satyamurthi, M.L.A., Seth Govind Das, M.L.A., Mr. Ramsay Scott, M.L.A., Mr. G. Morgan, M.L.A., The Hon'ble Mr. V. C. Vellingiri Gounder, the Hon'ble Mr. Satyendra Chandra Ghosh Maulik, the Hon'ble Srijut Heramba Prosad Barua, Mr. N. V. Gadgil, M.L.A., the Hon'ble Mr. Shantidas Askuran, Dr. P. P. Pillai, the Hon'ble Mr. Hossain Imam, Pandit Krishna Kant Malaviya, M.L.A., the Hon'ble Rai Bahadur Radha Krishna Jalan, the Hon'ble Rai Bahadur Lala Ramsaran Das, the Hon'ble Pandit Prakash Narain Sapru, the Hon'ble Mr. B. K. Basu, Mr. N. C. Chunder, M.L.A., Dr. P. N. Banerji, M.L.A., Dr. Zia Uddin Ahmad, M.L.A., Mr. B. K. Das, M.L.A., Mr. F. E. James, M.L.A., Sj. Dhirendra Kanta Lahiri, M.L.A., Mr. L. C. Buss, M.L.A., Sir Leslie Hudson, M.L.A., The Hon'mle Khan Bahadur Syed Abdul Hafeez, Mr. S. M. Nauman, M.L.A., The Hon'ble Diwan Bahadur G. Narayanswamy Chetty, C.I.E., Mr. Surya Kumar Som, M.L.A., The Hon'ble Kumar Nripendra Narayana Sinha, The Hon'ble Mahmood Suhrawardy, Sir Abdul Halim Ghuznavi, M.L.A., and Lala Kailashpat Singhania.

The following representatives of the Member-bodies were present:—

Mr. G. D. Birla, Lala Shri Ram, Seth Walchand Hirachand, Mr. Kasturbhai Lalbhai, Mr. D. P. Khaitan, Mr. Manu Subedar, Mr. A. D. Shroff, Mr. Chunilal B. Mehta, Mr. M. L. Dahanukar, Lala Ramjidas Vaishya, Lt. Sardar P. S. Sodhbans, Mr. S. M. Bashir, Pandit K. Santanam, Mr. B. Das, M.L.A., Mr. A. L. Ojha, Mr. Nandas Haridas, Mr. Shantilal Mangaldas, Mr. Ratilal Nathalal, Mr. Trikamlal Mahasukhram, Mr. Hariram Jamnadas, Mr. Ashutosh

Ganguli, Dr. S. N. Dutt, Mr. Narayandas Girdhardas, Mr. V. Venkateswara Sastrulu, Sheth Harivallabhdas Kalidas, Sheth Sumatis Chandra, Babu Gurusharan Lal, Mr. N. N. Rakshit, Mr. P. C. Coomar, Mr. Mangilal Nanglia, Mr. Pratapray Manmohandas Mehta, Mr. Mohanlal Ambalal Parikh, Mr. Sankalchand G. Shah, Mr. Shankarlal C. Sura, Mr. Ganga Singh, M.L.C., Mr. Natvarlal B. Jasani, Mr. W. M. Muzumdar, Mr. Haridas Lalji, Mr. Mahomed A. K. Alvi, Mr. Mulraj Doongursee, Lala Gur prasad Kapoor, Lala Ram Lall, Lala Dwarka Prashad Kakkar, Lala Ram Ratan Gupta, Lala Lachmandas Rohtagi, Lala Faqirchand, Lala Jagannath Singhji, Lala Harparshad, Rai Bahadur P. Mukerjee, M.L.C., Sardar Bahadur Sardar Sobha Singh, Lala Baij Nath Sayal, Mr. A. C. Khosla, Seth L. N. Gadodia, Lala Padam Chand, Lala Panna Lal Arora, Mr. Babulall Kasera, Seth Lakhamsey Ghelabhai, Seth Hansraj Velji, Mr. D. C. Muzumdar, Mr. Bhagwandas Shethi, Mr. S. Raj Dhariwal, Mr. G. L. Mehta, Mr. H. S. Bhalaya, Mr. K. R. Khosla, Dr. Dev Raj Narang, Mr. J. L. P. Roche Victoria, Mr. T. G. Yesudian, Mr. K. S. Ramchandra Iyer, Mr. J. C. Setalvad, Mr. Kapoor, Mr. A. C. Sen, Mr. S. C. Roy, Mr. S. Bagchi, Mr. G. S. Marathey, Mr. K. C. Desai, Mr. S. C. Majumdar, Mr. J. P. Dutia, Mr. C. A. Buch, Babu Pares Chandra Banerji, Babu Kumud Behari Choudhury, Mr. Rahimtoola M. Chinoy, Mr. M. C. Ghia, Mr. Kumud Behari Basu, Mr. K. L. Dutt, Mr. D. K. Sanyal, Mr. Jamshed N. R. Mehta, Lala Karamchand Thapar, Lala Shankar Lall, Sreejut Bhimraj Sethia, Mr. Santoshchand Bararia, Mr. R. K. Sidhva, Mr. S. H. Lulla, Mr. V. B. Bellary, Mr. S. S. Sakri, Mr. Setti Siddanna, Lala Shiv Shankar Lall Burman, Lala Ram Kishan Das, Lala Ganesh Das, Lala Munshi Ram, Mr. E. B. Rajderkar, Mr. Shankarrao P. Ogale, Mr. Beg Raj Gupta, Mr. Umashankar Dikshit, Mr. Ramkumar Morarka, Mr. Kedarnath Agarwal, Mr. H. G. Misra, Mr. N. K. Bhartiya, Mr. S. M. Ishaq Chandna, Mr. Jagmohandas Jekisandas Kapadia, Mr. Amratlal Kalidas, Mr. Thakorelal Hiralal Vakil, Mr. Chotalal Kilachand, Mr. Ratilal Mulji Gandhi, Mr. Gordhandas Jamnadas, Rai Bahadur Lala Rameshwar Prasad Bagla, Mr. Mohanlal Sah, and Kunwar Rudra Pratap Narain Singh.

The following Secretaries of the various Member-bodies were present :—

Mr. J. K. Mehta, Mr. K. M. Purkayastha, Mr. D. V. Kelkar, Mr. M. P. Gandhi, Mr. Umashankar Dikshit, Mr. M. L. Gupta,

Mr. Haridas Lalji, Mr. Ramanlal Anandlal Jani, Lala Gilloomal Bazaz, Mr. P. Raghavan Nair, Mr. Batubhai L. Umarvadia, Lala Ram Pershad, Mr. T. M. Gurbaxani, Mr. Lachhmandas, Mr. T. K. Santanam, Mr. K. Shama Iyer, Mr. Chunilal V. Mody, Mr. D. K. Sanyal, Mr. S. N. Satankar and Mr. D. G. Mulherkar.

The President, Lala Padampat Singhania, in opening the proceedings of the Ninth Annual Session, said :--

Gentlemen,

I welcome you all, Representatives of commercial chambers and associations from all parts of India and Members of the Central Legislature, to the Ninth Annual Session of the Federation. The Annual Session is becoming the forum for discussion of problems affecting the economic structure of this country and I trust that the Members of the Central Legislature and those responsible for the government of this country will fuly utilise this opportunity of acquainting themselves with the current of thought of the Indian commercial community on such questions.

Let me refer, at the outset, to the loss which the whole of the British Empire has suffered by the death of its sovereign, His Late Majesty King George V. It was during His Late Majesty's reign that the Indians fought shoulder to shoulder with the forces of the United Kingdom and the Dominions in the cause of self-determination and the right of small nations to exist. It was during His Majesty's reign that the people of India appealed to the British nation for the application of those principles of self-determination to their own country, for which the great battle was fought to a successful end. The response of the British nation in conferring the Government of India Act, 1935, fell short of the most modest expectations of the progressive political parties in India and is an illustration of the British statesmanship in their dealing with subjectnations. The country fervently hopes that the young King, Edward VIII, who has had greater opportunities during his career as the Prince of Wales to understand and appreciate new doctrines in world politics, will inspire his ministers to appreciate correctly the realities of political life in India.

I cannot also but feelingly refer to the loss which the Indian commercial community suffered during the year at the death of Mr. F. E. Dinshaw, Sir Dinshaw E. Wacha, Raja Risheekesh Law

and Rajratna Seth Chimanlal Girdharlal, who worked in their own spheres for the cause of India's commerce and industry. The commercial community will remember with gratitude the services rendered by these pioneers in the furtherance of their cause.

FEDERATION'S ACTIVITIES

A year has gone by since my distinguished predecessor, Mr. Kasturbhai Lalbhai, handed over to me the reins of the Federation. It has been a year of strenuous work. Your Committee dealt with a number of important subjects affecting the commercial interests of the country and submitted exhaustive memoranda to the Government of India embodying their views on questions like the financial adjustment between India and Burma, revision of the Insurance Law in India, revision of the Income-tax Law in India, greater association of Indian commercial community with the working of the Railway Conference, Indo-Burma Trade Convention, formation of electorates for commercial constituencies and disposal of surplus stocks of quinine held by the Government of India, the Report of which is being submitted to you for adoption during this Session. The Committee also throughout the year kept themselves busy with the examination of the effect of the working of the Ottawa scheme of preferences on India's import and export trade and prepared an exhaustive note on the subject for the information of the Members of the Central Legislature.

INAUGURATION OF REFORMS

The inauguration of reforms under the Government of India Act of 1935 presents a number of intricate questions; the findings of the Indian Delimitation Committee, as far as commercial constituencies are concerned, have not been very happy. An injustice done to Indian commercial interests, which I cannot pass over without a reference, is the allocation of the third non-Provincial Federal seat to the three bodies affiliated to the Associated Chambers in the provinces of U. P., Delhi and the Punjab. The trade and industrial interests in these three provinces are predominantly Indian and as such, the seat ought to have been allotted to Indian bodies; inspite of such a position relating to Indian and non-Indian commercial interests, the Federation offered a reasonable solution by suggesting that the seat should be allotted to all commercial chambers and associations affiliated to either the Federation or the

Associated Chambers; this was turned down by the Delimitation Committee. The Associated Chambers would thus have two seats—one directly and another indirectly in the Federal Legislature against one seat allotted to the Federation; I trust the Government of India would convey the feelings of the Federation on this question to the Secretary of State for India for a just modification of the Order-in-Council in this respect.

FEDERAL FINANCE

Another problem relating to the successful working of the reforms which baffles solution is the future finance of the Federal Government. I do not wish to refer to the very regrettable policy of the British Cabinet, through the Secretary of State for India, in not appointing any Indian financier on the Niemeyer Committee and denying thereby Indian financiers an opportunity of sharing with the Britishers the responsibility of finding ways and means for the solvent administration of the Provinces and the Federal Government. I do not wish to grudge the provincial administrations all the relief which Sir Otto Niemeyer may think in his judgment to allot. The question that will face this country is the finances that would be available to the Federal Government. The main sources of revenue to the Federal Government are the customs, income-tax, revenue from salt duty, excise duty, profits from currency and mint and contribution from railways. There is scarcely any chance of an improvement in the customs receipts unless there is a pronounced improvement in the purchasing power of the masses; even then it is doubtful how far such an improvement will tend to create greater demand for imported goods when one must remember that the requirements of the masses are practically confined to clothing and foodstuffs which are available within the country itself. Such improvement, if pronounced, will only reflect in a greater volume of internal trade thereby showing an improvement in the traffic receipts of the railway administrations. Even with the increased industrialisation of the country, the revenue under customs may not suffer. The only direction from which some finances may be available is the profitable working of the railways. There is bound to be some improvement in their earnings corresponding to the improvement in the trade conditions of India. I shall refer at a later stage to the administration of railways and their present freight policy. Turning to expenditure, the main

heads are the administration charges and the defence expenditure. As there is practically no scope for raising revenue by way of taxation, the only course left open is to reduce the military expenditure to the pre-war level or to secure a contribution from the revenues of the United Kingdom towards meeting the excess of expenditure over that level as all the military maintained in India is not entirely in the interest of India but to safeguard the trade routes of the United Kingdom. I would, therefore, suggest to Sir Otto Niemeyer to consider this question while submitting his recommendations to the Secretary of State for India, and secondly, to revise the scales of remuneration of the Imperial and Provincial services. In no country, does the military expenditure constitute 60 per cent. of the revenues and both the Finance Member and the Commander-in-Chief, instead of holding hopes of reasonable reduction in the military expenditure, stated possibilities of greater expenditure on that count. With the military expenditure and the debt and pensions service charges constituting more than 80 per cent. of the revenues of the future Federal Government, I do not visualise any prospect of the successful working of the Federal constitution. Looking to the budgets of the Provincial Governments, we find the same story repeated; out of a total revenue of the Provincial Governments amounting to 80 crores of rupees, the expenditure on education and other nation-building activities is scarcely adequate to meet the requirements of the provinces. The people would have come forward to make the new constitution a success by allowing themselves to be taxed to some extent if their own Ministers were given the necessary powers to frame their own budgets with a view to make available to the nation-building departments more funds than are at present available under the constitution, but the fact is that a substantial portion of the money raised in India by levy of taxes is drained out of the country and is, therefore, not helpful in improving the economic condition of the masses. When the economic condition of the masses is such, I wonder how far they can be taxed if the money made so available is to be drained out of the country.

Railway Administrations

The Railway administration of this country is another very important factor to be reckoned with in the Federal constitution. Prior to 1930-31, the Railways were able to contribute to the General Revenues. In 1930-31, the first signs of their deficit working manifested themselves by a loss of 5·19 crores, and they had to draw

during that year upon the Reserves to the extent of 10·93 crores, to pay the interest charges and the contribution to the General Revenues; since then, they have been experiencing losses, and on the estimates of the Railway Member, the General Revenues of India would be losing 30·75 crores of rupees at the end of the financial year 1936-37 by way of non-receipt of contribution; in addition to this the Railway Depreciation funds depreciated by 32·74 crores since 1929-30, while the whole of the General Reserve has disappeared. Further examining the figures given in the explanatory memorandum in the Railway Budget, I find that since 1931-32 the mileage covered by the State-owned Railways has remained constant with very little variation, while the operating expenses have gradually increased by 2 crores within a period of 5 years.

In spite of repeated requests from the Indian commercial community, the Railway Board is following the freight policy which was once dictated in the past by considerations of the import trade of India. India, with its vast population and long distances, affords a profitable field for the railways to so adjust their freight policy as to stimulate greater internal trade; the rate structure has not taken any notice of the precipitous fall in the prices of primary products which generally compete in the world markets. The exportable commodities of India are labouring under this handicap of transport facilities. In the railway administration of the United States of America, the reasonable requirements of export and internal trade of agricultural produce constitute a significant factor in the fixation of freight rates. In the export trade of the United Kingdom and Japan, the steam freight is always adjusted—directly or indirectly—to stimulate expansion. Why should not the Indian railways inaugurate a bold policy of freight reform to replenish their earnings by stimulating trade in primary products?

The motor transport, of which the railways have made a grievance, constitutes, to my mind, a healthy competition to the railways. If the motor owners as business men find it profitable, even after payment of a heavy duty on petrol, licence fees and municipal taxes, to carry goods at a cheaper rate, I fail to understand why the railways, with an elaborate administration, should not find it profitable to offer cheaper freight rates and stimulate greater trade movement. I may also refer to the handicap under which the merchants suffer owing to the nature of the railway risk notes. These notes require drastic modification. To my mind, it

has become a great problem as without cheap transport facilities, India's trade in primary products would not fare either in the interior or external market. This has been, on several occasions, brought to the notice of the Commerce Member on the floor of the Assembly and through representations by the various chambers of commerce. The top-heavy expenses are standing in the way of the profitable working of the railways and thus affording cheap transport facilities to the trade. To the Commerce Member, this seems to be an insolvable problem, but I would urge upon him, with all the emphasis at my command, to take a very strong attitude on this question and to effect a radical reduction in the freight rates, which is one of the ways by which they can maintain their income; and it is a matter of great surprise that the railway administrations expect a third party to suggest to them methods by which they can maintain their source of income in spite of having a costly administration.

Economic Condition of the Masses

The Finance Member to the Government India, in presenting his budget proposals for the year 1936-37, gave an impression of the country returning to normal conditions after the long term of depression to which it was subjected. In all other countries, the prosperity of the Government reflects the prosperity of the country; but in India, it does not reflect an improvement in the economic condition of the masses. The Government of India may congratulate themselves on having more than balanced budget, with a continuance of emegency taxation, but what is the state of things in the Provinces? Except Bombay (without Sind) and Madras, all the Provinces are experiencing deficit budgets as will be seen from the following figures:—

Provincial Budget Estimates for 1936-37

	Revenue receipts. (In Crores of Rupees).	Revenu Expenditure.
Bombay (excluding Sind) ...	12·03	12·03
Madras	16·4	16·4
Bengal	11·49	11·91
Punjab	10·44	10·6
C. P.	4·81	4·89
Bihar (excluding Orissa)	4·7	4·81
U. P.	11·71	12·45

This has not been a very happy prospect for the advent of the provincial autonomy. The Finance Ministers of the Provinces will have to raise more taxes to meet the growing expenditure or to starve the nation-building activities of the necessary funds.

Those who know their country intimately can trace the slight improvement that has taken place in the economic condition of the masses to firstly, the protection given to the three main industries, namely the cotton textile, iron and steel and sugar, which have in their turn stimulated greater employment in the country; secondly, the money that has come into the hands of the people during the last four years as a result of the export of gold on an average of 60 crores of rupees a year against India's former purchase of, on an average, 30 crores a year. This has resulted in the country getting an extra amount of 260 crores in the hands of its population without any appreciable increase in the production of primary or manufactured articles. This might reflect in the greater flow of money in the hands of the public without a corresponding improvement in the creation of new weath. I do not wish to ridicule their anxiety to allot certain sums for rural development but I must say that no amount of grants towards rural development will go towards improving the conditions of the agriculturists. What is urgently needed is a bold attempt towards increasing the purchasing power of the agriculturist, and this can only be achieved by putting into his hands more money for his produce than what he is receiving at present. The Finance Member's pronounced ideas towards depreciation of India's currency leave out of the question a reliable method which can give relief to the agriculturist, and India being mainly a raw material producing country, her economic condition depends entirely on the export trade which she is able to maintain in the world market.

It is indeed a happy sign that the devaluation of India's currency is no longer considered to be in the entire interest of the industrialists. It is a weapon which is being fully utilised by raw-producing countries in the world for purposes of developing their export trade. India's relations with the United Kingdom to which she is wedded—willingly or unwillingly—preclude the possibility of the Government of India accepting the suggestion of devaluation of the Indian currency, as such a step directly comes in conflict with the interests of the United Kingdom in India's market. I am fully conscious of the disability of the present Government of India to

move in the right direction but I feel it my duty to state as my conviction that there are several directions in which the salvation of the present helpless condition of the masses lies. I would ask the Government to consider another suggestion so often made by responsible people representing the commercial and industrial interests in the country regarding a substantial expansion of currency which would enable Provincial Governments to inaugurate capital expenditure schemes thereby giving employment not only to the masses but even solving, to some extent, the question of unemployment of the middle classes in the Provinces. The Provincial Governments are not in a position at present with their crippled finances to launch upon any bold scheme of giving employment to educated classes in the country and the Government of India's action towards expansion of currency would help them all.

Fiscal Policy

The policy of tariff protection of the Government of India, based on certain principles laid down by the Fiscal Commission, requires a complete modification in view of the experience gained by the country during the last 15 years. I fail to understand the wisdom of the Government of India in doggedly adhering to the three fundamental conditions laid down by the Fiscal Commission for grant of protection to indigenous industries, when they have before them the examples of the United Kingdom and Japan dominating the world with their products of textile industry without a pound of cotton grown in their territory and the United States of America surpassing all countries in their rubber manufactures without an ounce of rubber tapped from an American tree, and one can quote innumerable instances of countries with organised industries without either the raw material produced within their borders or the home market available for their products. The world has grown wiser since the recommendations of the Fiscal Commission and India wants to keep pace, and it is ridiculous for the Government of India to deny to this country opportunities for her natural expansion of industries which command two great factors, namely, the abundant supply of labour and the enormous home market for consumption and therefore, it is very necessary that the Government of India should forthwith consider the question of revising their present fiscal policy, suitably in the interests of indigenous industries.

During the discussion on the Finance Bill, the Finance Member stated that by following a policy of protection to indigenous

industries, the consumers are losing 34 crores of rupees in case of their requirements of cotton textiles and sugar alone. Coming as it does from a responsible Officer of the Crown in India, it confirms the belief generally held in this country that the Britishers have two sets of standards—one for their own country and the other for countries under their political or economic control—in judging the utility of the policy of protection. The United Kingdom which was following the principles of free trade when it suited her requirements, has thrown those principles overboard beyond salvation, and she is now following a very active policy of protective tariff under the Safeguarding of Industries Act, 1921, whereby a number of items of import are subjected to prohibitive duties ranging from 30 per cent. to 50 per cent. To trot out the consumers' interests in India in season and out is to ignore the basic principles of economy. The Tariff Boards had various enquiries entrusted to them to scrutinise this bogey before deciding upon recommending to Government the grant of protection to an indigenous industry. While recommending protection to sugar industry, the Tariff Board stated that the case for protection really rested on the improvement of the cane cultivation in the agricultural economy of India. It is a very doubtful theory to lay down that in the absence of protection, the Government would profit in the direction of more customs revenue. Under a protective tariff, the Government's loss in customs revenue is amply made good by greater receipts in other directions such as, income-tax, duty on machinery, chemicals and mill stores, excise duties and railway freight on greater movement of raw materials and finished goods and above all, it is compensated by an improvement in the economic condition of the agriculturists reflecting in receipts of land revenue and in a number of other directions in the revenues of the Provincial Governments. It is also doubtful to what extent the consumers of imported articles are victimised by protective tariff as in the absence of any indigenous industry offering competition to imported articles, the consumers are bound to suffer by way of higher prices. It is needless to illustrate this point when the prices in India for imported articles are never governed by the consideration of a fair margin of profit by the foreign manufacturers. On the other hand, the policy of the Tariff Board recommending protection to Government to an indigenous industry has been very conservative and in examining the claims of consumers who form the masses, they have fully

weighed the disadvantage against the improvement which a protected industry brings in the economic condition of the country.

I would like to refer to the cases of cotton textile industry and sugar industry which have brought along with their growth immeasurable relief not only to the revenues of the Provincial and Central Governments but to the general public. Cotton textile industry with 365 mills in India is to-day employing more than 4,14,000 persons annually and consumes more than 1023 million lbs. of Indian cotton out of a crop of 2276 million lbs. grown in the country. The wage bill of these mills runs into several crores of rupees. The *per capita* consumption of cloth which was 13·5 yards in 1930-31 is in 1934-35 15·6 yards which does not indicate any adverse effect of prices. I leave it to the Finance Department of the Government of India to assess the value of an industry, which consumes nearly half the cotton crop of this country, to the millions of agriculturists that are dependent upon the cotton crop. The wage earners in the mills and the handloom industry are alone responsible for the maintenance of more than $2\frac{1}{2}$ millions of human beings in this land of starvation. The capital invested in the mill industry on 1931-32 basis represents 80 crores of rupees and is adding to the tune of 4 crores annually to the national income. In case of sugar industry which has had such a phenomenal career of growth, the industry has put a stop to a drain of nearly 13 crores of rupees out of India through the establishment of nearly 150 sugar mills. The following figures give an indication of the imports of sugar during the last six years:—

IMPORTS OF SUGAR

Year.	Tons (000 omitted).	Value in crores of Rs.
1929-30 ...	939	15·5
1931-32 ...	516	6·0
1932-33 ...	369	4·1
1933-34 ...	261	2·7
1934-35 ...	222	2·1

The production of sugar from cane and gur alone amounts to 620,000 tons during the year 1934-35 and 3·5 million acres of land is under sugar cane cultivation during that year, which is responsible for nearly 18 millions of agriculturists, while the factories give an

employment of 1,20,000 wage earners who, in their turn, maintain more than half a million of persons. The investment of capital in the industry amounts to more than 20 crores of rupees and on a moderate out-turn of profits, there is an addition of nearly 2 crores to the national income of the country. With such a record for the two industries receiving protection at the hands of the State, the statement of the Finance Member that the consumers are losers to the extent of 34 crores, is not open to conviction.

RESERVE BANK

Besides the progressive policy of tariff protection, the Government of India should modify their Fiscal policy thereby encouraging industrial finance in this country, through the Reserve Bank of India. Unless the Bank, with the credit of this country at its back, comes forward to supply finance for the industrial development of the country, it may not be possible for the indigenous industries to utilise the dormant financial resources of the country.

The inauguration of the Reserve Bank has created many a sanguine hope in the minds of the people. They look forward to an organised attempt by the Bank to overhaul the whole credit structure in the country. India has, from times immemorial, a special feature in the existence of countless indigenous banking houses which handle practically the whole of the internal trade of India. The Bank will have, therefore, to seriousley tackle the question of linking these indigenous bankers with its working with a view to afford cheaper remittance facilities to stimulate greater internal trade transactions.

The reduction of the Bank rate to 3 per cent. is a welcome move taken by the Bank towards the creation of cheap money conditions in the market. I feel that the present money conditions warrant even a still further reduction in the Bank rate. In spite of money being available at cheap rates, the indigenous industries did not reap any advantage, because of the policy of conservatism followed by the banks in the investment of funds at their disposal. This attitude of the banks is directly traceable to the policy of *laissez faire* of the Government of India towards industrialisation of the country. Greater stimulation to industrial production in a country like India would have brought back some improvement in the economic conditions of the masses. The Government of India

did not themselves utilise the easy money conditions in inaugurating schemes of capital expenditure in the country. In the United States of America, cheap money conditions were fully made use of by amending the Federal Reserve Bank Act empowering thereby the Federal Reserve Bank to make direct loans for industrial purposes and I trust that in near future the Reserve Bank of India will consider the advisability of utilising the resources at its disposal towards the industrial advancement of the country.

Another direction in which the working of the Reserve Bank can directly be made to affect the life of the agriculturist is towards creating rural credit for the millions of agriculturists, who are at present under the influence of the sowcars in the mofussil. The attempts of the Provincial Governments in enacting debt relief laws purported to give relief to agriculturists and landholders are sure to meet with a failure and may also result in destroying the credit which used to be available to agriculturists in the mofussil. The conditions of rural credit demand that there should be legislation on certain well-recognised principles of equity and justice with a proper safeguard against usurious interest and the Reserve Bank of India is expected to advise the Central Government towards enacting legislation on an all-India basis which would fully take into consideration the existence of sowcars and money-lenders in the mofussil. Mere legislation to victimise the rural sowcar will not give any relief to the agriculturist. The inauguration of either land mortgage banks or co-operative credit societies and co-operative marketing societies is a direction in which the Provincial Governments should be advised to act towards giving relief to the agriculturist. The Reserve Bank should be instrumental in levelling down the rates of interest not only in the chief industrial centres and capitals of the Provinces but mainly in the trading centres of the mofussil, and the Bank would be an instrument in creating an improvement in the economic condition of India if its activities are directed towards organisation of rural credit in this country.

Ottawa Trade Agreement

I would like to refer to the recent decision taken by the Legislative Assembly regarding the determination of the Ottawa Trade Agreement, and though on the merit of the case, it is the only decision possible, I feel it my duty to express from this platform the gratefulness of the Indian commercial community to the non-

official Members of the Assembly for deciding to terminate the Agreement and recommending to Government an investigation of the possibility of entering into new bilaterial trade agreements with her customers with a view to develop India's export trade in agricultural commodities. The Commerce Member, Sir Muhammad Zafrulla Khan, to whom we now look forward for a comprehensive investigation into this question, will, I am sure, bring a fresh outlook and an unbiassed judgment on this question and I trust there would be greater opportunities for close association between the Government of India and the Indian commercial community in the task that lies before this country in securing a substantial development of its export trade and thereby contributing to the improvement of the economic condition of the country. As there has been an attempt in the Legislative Assembly to misrepresent the attitude of the Federation on the question of co-operation with Government, I take this opportunity of defining again the attitude of the Federation, that its Committee would always be willing to co-operate with the Government of India in negotiating trade treaties either with the United Kingdom, the Dominions or India's foreign customers on a genuinely reciprocal basis if the Government of India, on their part, would come forward in the spirit of fully utilising to mutual benefit the advice of the Indian commercial community in these negotiations for such agreements.

Before I conclude, I should like to refer to the change in the office of the Viceroy of India during the next week. Lord Wilingdon would relinquish his office as the Viceroy and Governor-General in India after serving this country for well-nigh 16 years and now richly deserves a well-earned rest from Indian politics. It is a happy augury that Lord Linglithgow, the Viceroy-Designate, has had the advantage, as the Chairman of the Royal Commission on Agriculture, of surveying at close quarters the condition of the agriculturist in India and as the Chairman of the Parliamentary Select Committee, he had the opportunity of understanding the feelings of Indians on the question of the workability of the Government of India Act of 1935. The country welcomes him in the expectation that he will adopt measures likely to promote the economic well-being of the agriculturist and pilot the new reforms in the best interests of India.

When you elected me last year as the President of the Federation, I thought it would be very difficult for me to carry on

the responsibility of the heavy duties as the President. But it is on account of the co-operation of your capable Secretary that I could carry on the work most smoothly; and I take this opportunity of putting on recoord my appreciation of his unfailing loyalty to to the cause represented by the Federation.

I thank you all, Gentlemen. (*Applause*).

President: Gentlemen, I put the following resolution before you for adoption, regarding the death of His Late Majesty King George V:—

DEATH OF HIS LATE MAJESTY KING GEORGE V

That the Federation records with a sense of deep sorrow the great loss suffered by the British Empire due to the death of His late Majesty King George V and offers its respectful condolence to His Majesty King Edward VIII in his sad bereavement.

The House unanimously adopted the resolution all standing.

President: Item No. 2 of the Agenda is adoption of the Annual Report and the Statement of Accounts for the year. I move that the Annual Report and the Statement of Accounts for the year 1935-36 be adopted.

Mr. D. P. Khaitan: I second it.

Mr. S. C. Mazumdar enquired whether the contributions shown in the statement of accounts were from the member-bodies of the Federation or from the members of the Committee. The President replied that they were from the members of the Committee and referred to item No. 6 of the Agenda under which the financial position of the Federation would be discussed later. The same member made a reference to the contribution towards the deficit of the Indian National Committee and asked how long that would continue. The President said that also would be dealt with under item No. 6 of the Agenda.

Mr. Ramratan Gupta asked how it was that the item, printing charges, occurred in two places. The President explained that one related to the expenses on the printing of the proceedings of the annual meeting and the other to the office printing charges. To another question by the same member whether information had been collected, as requested by the Maharashtra Chamber, of those

industries which were financed by foreigners and which were taking undue advantage of the protection granted to Indian industry, the President explained that the Federation had opened a register, but there were hardly more than two or three entries of such industries. It was the intention of the Federation to collect such information and compile it in the form of a report.

The Annual Report and the Statement of Accounts for the year 1935-36 were then adopted unanimously.

President: Item No. 3 of the Agenda—Resolutions—will now be taken up. I call upon Mr. Khaitan to move the resolution on Ottawa.

Mr. D. P. Khaitan, (Indian Chamber of Commerce, Calcutta): I beg to move:—

OTTAWA TRADE AGREEMENT

The Federation congratulates the Legislative Assembly on passing a resolution terminating the Ottawa Agreement against which the Indian commercial community has all along protested and records its appreciation of the patriotic action of all the Members of the Assembly who voted for it.

Mr. President and Gentlemen, I have not the slightest doubt that every one present in this House has been very pleased at the action that the Legislative Assembly took in denouncing the Ottawa Agreement, an agreement against which not only the Indian commercial community but the public at large has protested all the time. Some fear was sought to be put forward that the denunciation of this Agreement would not be in the interests of this country. I can assure you that the Federation of Indian Chambers of Commerce came to the conclusion against the continuance of the Agreement that it did, after very careful deliberation and after going into the figures and circumstances at great length and with great care. You are all aware that before the Committee put forward its opinion, it first appointed a sub-committee of such careful persons as Lala Shri Ram, Mr. Kasturbhai Lalbhai, Mr. Nalini Ranjan Sarkar, and myself also. They sifted all the figures and put forward their opinion before the Committee, but before the Committee again took their report into consideration, it was very fully gone into by such eminent persons as Sir Purshotamdas Thakurdas and others. It was after the careful opinion of such cautious persons—who well

know what will be for the good of the trade, commerce and industries of India and what will be against the Indian commercial intertests, it was after the question was fully sifted from all points of view that the Committee of the Federation put forward its opinion for the use of the members of the Assembly, the Government of India and the public at large. I hope, Gentlemen, that the public of India will feel satisfied that there is not the slightest risk that India is going to lose by the denunciation of the Ottawa Trade Agreement. The most humorous part of the whole problem is that while India denounces the Agreement in her own interests, there are some people who are very sorry that the Agreement has been denounced and have expressed their sorrow in the interests of the country. This is an attitude which we absolutely fail to understand and I am glad that capable representatives of the people in the Assembly were not caught by these fears and apprehensions that were raised simply in order to preserve that Ottawa Agreement. We congratulate wholeheartedly the members of the Indian Legislative Assembly for having voted down the Ottawa Agreement and we feel sure that the Government of India will now accept the advice that the Assembly has given to it in connection with the agreement. It is sometimes urged that when the Ottawa Agreement is denounced India will not be able to export as much commodities as it was able to do on account of the Ottawa Agreement. It is a matter of common knowledge that as a result of this agreement which has now been denounced trade has been diverted from India's best customers into one channel alone and it is not safe to rely upon one channel only for carrying on the trade and business of the country and what is that channel in which trade was being diverted from other channels. It is just that channel whose interest it is to see that the balance of trade of India in merchandise must be maintained in its favour to the tune of at least 80 crores of rupees per year in order that the British investors may be able to realise a return on the investment which they have made in this country and for the purpose of paying the home charges which India has got to remit year by year. If England does not see to it that the balance of trade in merchandise be maintained at that figure they will themselves have to come to grief because they cannot for all time to come rely on the export of gold for the purposes of preserving the balance of trade of India and if the export of gold be stopped and it will soon be stopped in the interests of the country—if the export of gold dries up, England will have to see to it that some

ways and means are adopted whereby export of merchandise from India will be continued on a substantially high figure. I have not the slightest doubt, gentlemen, that you have no such fears and apprehensions as have been put forward from certain quarters and I hope that you will whole-heartedly support the Resolution that I have commended for your acceptance.

Mr. Kasturbhai Lalbhai: (Ahmedabad Mill-Owner's Association), seconding the resolution said:

Mr. President and Gentlemen, I have great pleasure in supporting the Resolution so ably moved by my friend Mr. D. P. Khaitan. We are all very grateful to the members of the Assembly for voting down the Ottawa Agreement this session. Those of you who may have seen the list of the Assembly members, will find that on this resolution there was a record voting, the like of which, if I remember aright, has not taken place in any previous assembly. The Government collected together its supporters from all directions. Similarly people's representatives and those who took keen interest in this problem were also present. As many as 135 members out of a total of 146, took part in the voting, after two gentlemen had paired off. If you really scrutinise the voting you will find that out of the total 65 votes that the Government got at least 40 votes were those of the Government members either nominated or the officials. If you take out those votes there remain only 25 or 27 votes as against the 70 votes recorded in favour of denunciation of the Ottawa Agreement. There has been no doubt that as far as the commercial community of India is concerned this agreement did not receive favour right from the beginning. In spite of that, we were not averse to looking at facts and we did not want to close our eyes to the two years working of the Ottawa Agreement. Your Federation appointed a sub-committee to go through each and every item and report in a very unbiassed manner as to what have been the advantages and the disadvantages accruing to the country during the two years' working of the Ottawa Agreement. You will find that wherever they found that in certain items certain advantages had been derived by India they have not tried to mince matters. They have clearly stated in regard to this particular item or that particular item that India did derive certain benefit but their task was to weigh and find out on the whole whether the agreement was beneficial to India or not and they unhesitatingly came to the view that there was no other go but to denounce the

agreement. As a matter of fact that the Ottawa Agreement has not only not benefitted India but it has harmed India's export trade to other countries. It was my good fortunte to be in Geneva in the year 1934 when the Ottawa Agreement had just been concluded and I happened at that time to meet many eminent people from various countries who had gathered at Geneva for the International Labour Conference. In this International Labour Conference as many as 55 or 60 countries of the world were represented through their eminent business men and industrial and commercial magnates and I can assure you very definitely and without hesitation that many customers of India approached me and said that if we conclude this agreement they would naturally not take as much of India's produce as they have been doing. These facts have been denied by the Government. I am certain that the Government is not ignorant of this feeling that has been created in some of the foreign customers of India. As a matter of fact representations were received by the Government saying that the countries which were taking India's produce were not prepared to put up with this kind of differential treatment that was meted out to them. It is only right that the Resolution which has been passed by the Assembly not merely denounced the Ottawa Agreement but also authorised the Government to negotiate with India's best customers so that when these agreements are arrived at the best interests of the agriculturists and the public at large be served. That fact was also brought out in the report that your committee submitted to the Federation and we can only appreciate the very great service that has been rendered by the representatives of the people as also some of the nominated members by denouncing the Ottawa Agreement, particularly Dr. D. Souza who was one of the most enthusiastic supporter of the Ottawa Agreement when it was concluded, but when he found that the Ottawa Agreement did not result in the benefits which it was claimed by its supporters he unhesitatingly declared against it. As you know very great expectations were held out when the agreement was concluded. As a matter of fact it was expected that a new era of prosperity amongst the agriculturists will be the result of the Ottawa Trade Agreement. If you look at the facts and figures that have been presented to you, you will find that nothing of the kind has resulted. On the other hand in some of the important commodities, India has lost considerable ground. I have great pleasure in supporting the Resolution of congratulation to the Assembly.

The Resolution was declared carried unanimously.

President: The next resolution on export of gold is to be moved from the Chair.

I move:—

EXPORT OF GOLD

The Federation views with great dissappointment Government's apathy to the continuous and heavy Export of Gold from India and strongly urges upon Government the desirability of taking steps for stopping the outgo thereof and the purchasing of gold by the Reserve Bank on the basis of export parity.

The resolution was adopted unanimously.

President: I also move the next resolution:—

LEGISLATION TO DEFINE LEGAL POSITION OF SHAH-JOG HUNDIS

The Federation invites the attention of Government to the judgment of the Bombay High Court in Suit No. 891 of 1923 delivered on the 27th September, 1933, and particularly to its adverse effects on the legal rights of the drawee of a Shah-Jog Hundi and urges upon them the urgent necessity for suitable legislation, to provide by Statute what has been long observed in practice among indigenous bankers, namely, that the payment of a Shah-Jog Hundi to a bearer, who is a Shah, *i.e.*, a person of substance and credit in the market, discharges the liability of such drawee irrespective of the number and nature of endorsements on such Hundi.

The resolution was adopted unanimously.

President: I call upon Mr. R. M. Chinoy to move the next resolution on "Taxation."

Mr. R. M. Chinoy, (Indian Merchants Chamber, Bombay): Sir, I move:—

TAXATION

(a) The Federation invites the serious attention of the Government of India to the continued trade depression and to the existing disproportionately high level of taxation which this country is required to bear out of its scanty resources, and earnestly urges upon Govern-

ment to consider ways and means by which the economic recovery of the country could be achieved and the burden of taxation relieved. The Federation protests against the policy of under-estimating the revenues and of diverting the resultant surpluses to non-recurring items of expenditure.

(b) The Federation further urges upon Government the vital necessity of effecting reductions in expenditure in every direction-Military, Civil administration, Railways, etc.—and to utilise the savings thus made towards speedy recovery of normal trade and development of nation-building departments of the country.

Mr. President and Brother Delegates,

If there is any one question with which this Federation is, or should be, most intimately connected, it is the question of taxation and the economic poverty of the people. Since the very time that political bodies like the Congress, the Moslem League, etc., were established, and commercial and industrial bodies like the Indian Industrial Conference, the Indian Industrial and Commercial Congress, this Federation, and so many Chambers, were established, two questions have been prominent before the public: One is the politically subject condition of this country and the other is the tragically terrible economic condition of the masses of this country. Both these questions act and re-act upon each other, and it is very difficult to take one and leave the other. We, in this House, are however more concerned with the second question and leave the first to be tackled by the political bodies concerned. This does not mean that we are not interested in the other question as well; nor does it mean that the political bodies are not interested in the economic condition of the people. For the better organisation however of the activities and energies of the people, it is necessary that these questions should be discussed and considered by political bodies on one side and industrial and economic organisations on the other.

The poverty of the people of this land has been spoken of from so many platforms and written about in so many press articles and representations that it has come to be one of the most vital and unforgettable facts in the life of the nation. Those of you, who have visited Rome and the like ancient cities, must have seen how the Guides begin their descriptions of each place from some years B. C.

While dealing with this country, one is similarly tempted to go back to the past and describe what have been the vicissitudes of fortune in this unhappy land. I shall not, however, attempt this task here, but more or less concern myself with conditions of the present times and the immediate past. Sir Purshotamdas Thakurdas, who led in 1922, a deputation to Lord Reading, the then Viceroy of the country, with reference to retrenchment, gave the following estimates of the incidence of taxation:—

				Rs.	A.	P.
1871	...	...	...	1	13	9
1881	...	...	...	2	2	3
1901	...	...	...	2	6	6
1911	...	...	...	2	11	3
1913	...	...	...	2	14	5
1922	...	...	...	6	1	8

This meant that in 1922 the incidence of taxation was more than double of what it was in the pre-war period. Since then the taxation, instead of going down, has continually gone up. The taxation showed always an upward trend, and from 1929 onwards it has taken a straight course upto the very highest peak. The taxation from different sources was Rs. 60·78 crores in 1921/22, and it has risen up, after various ups and downs, to Rs. 75·08 crores for the 1936/37 Budget, which means an increase of about 25 per cent. in 15 years. During the same period the Provincial Revenues also have risen up by almost the same percentage. Truly, a formidable increase for a country like India: If the taxation is used for nation-building activities, there may be some justification found for it; but if it is used for feeding a bloated military machine, while the nation-building departments were being starved, there would appear to be no justification. The military expenditure in this country occupies the front rank among all the items of expenditure. In a chart prepared by the authors of that interesting book: *"India Analysed"*, they have put down 26 per cent. to military services and 10 per cent. for Police and jails, as against *one* per cent. for public health; three per cent. for irrigation; six per cent. for education; two per cent. for medical relief and *one* per cent. for agriculture. I may here mention that this expenditure includes both the Central and Provincial expenditure, and from the percentage I have given to you it would be seen that about 36 per cent. of the revenues goes to the upkeep of the military and the police, which means,

bluntly, to the upkeep of the *garrison* in the country, as against about seven to eight per cent. which goes to the national building activities. I leave it to you to judge whether this apportionment of the expenditure is justified or not. Mr. Walton Layton, who was brought out here as an economic expert, commented on this military expenditure as follows in his report:—

> "These simple figures illustrate three of the chief features of the financial situation in India, *viz*:—
>
> The mass of the people are extremely poor.
>
> She is incurring expenditure on the primary functions of government, such as defence and the maintenance of law and order, as high in proportion to her wealth as Western nations.
>
> Her expenditure on social services such as education, health, sanitation, etc., on the other hand, is far behind Western standards, and indeed in many directions is almost non-existant."

The expenditure on Defence in different Colonies and India was compared in a statement, submitted to the Legislative Assembly in reply to a question of Mr. Asaf Ali last year, from which it was seen that India stood easily first with regard to this item (statement attached herewith).

The facts are as follows:—

EXPENDITURE ON DEFENCE 1929-1934.

(000 omitted.)

Year.	Canada.	Australia.	South Africa.	New Zealand.	Irish Free State.	Egypt.	India.
	$	£	£	£	£	£	Rs.
1929-30 ...	61,074	12,320	2,026	2,110	1,480	2,268	5,51,000
1930-31 ...	68,038	11,715	1,792	1,953	1,323	2,305	5,43,000
1931-32 ...	65,569	10,563	1,630	1,799	1,400	2,104	5,17,600
1932-33 ...	57,683	10,040	1,630	1,795	1,524	2,101	4,67,400
1933-34 ...	59,326	11,226	1,705	1,861	1,538	2,119	4,44,247

It is said that the burden per capita in this country is not so high as the burden in some other countries. It is forgotten very easily that the per capita income of this country is, perhaps, the least in the world. Thus, the income per head of the population of this country is 82, as against

Rs. 1,092 of the United Kingdom;

Rs. 2,053 of the United States of America;

Rs. 1,268 of Canada;

Rs. 636 of France; and

Rs. 271 of Japan.

The national wealth figures are also very interesting. They are:—

	Rs.
British India	441
United Kingdom	6,371
United State of America	9,365
Canada	8,023
France	4,581
Japan	2,308

Still more interesting it is to note that the Savings Bank deposits per head of population in India are Rs. 2·1; as against Rs. 266·8 in the United Kingdom; Rs. 543·7 in the United States of America; Rs. 32·8 in Canada; Rs. 125·1 in France; Rs. 168·4 in Germany and Rs. 88·9 in Japan.

This country is essentially a poverty-ridden country and this is no mere slogan. It is a fact which is proved by statistics, Government records themselves and the every-day life of the country. There is such a thing as the limit of endurance. Such a limit has been reached long since in this country, which cannot afford to bear any further taxation. If no further taxation can be borne and if further expenditure has to be incurred for nation-building activities, there are two remedies open: One is, cutting down of all unnecessary expenditure, whether on the military or civil side; and the other is, increasing the productive power of the country by building up more industries,—by making two blades of grass grow where one blade grows. Develop your industries and agriculture; and, in a vast country like this, with immense mineral and other resources,

you will find that your every endeavour will be responded to in the increased income of the State. The policy of increasing the burden of taxation which is being pursued by Government needs drastic modification and should give place to a far-sighted wisdom of developing the country's resources,—both industrial and agricultural,—and reducing the taxation, in order that the country may grow richer and form a much better customer of the British trade and industries and also may play its useful part in giving to the world a people physically and intellectually active,—a people fitted to take their part in the solution of the world's problems, side-by-side with other people and in evolving that new Order of Peace and mutual friendliness, after which all of us are striving, but which is still escaping our grasp. (*Loud applause.*)

Mr. B. Das, M.L.A., (Behar and Orissa Chamber of Commerce): Sir, nobody would deny that it is very necessary that there should be scientific revision of the taxation policy of the Government of India. This is not the first time that the Federation has urged such a policy. The representatives of the taxpayers have also urged this insistently elsewhere. Unfortunately, however, there are certain handicaps placed compulsorily on India and which Government do not want to over-ride. There is the handicap of the Imperial preference which the British goods derive in India and by which the Government of India lose large amounts of revenue. There is the further handicap placed upon the Indian taxation policy by the new Government of India Act. Further, there is the Indo-British Trade Agreement by which India suffers and will suffer a loss of an amount of revenue which would otherwise have given the Government of India the opportunity to carry out a system of scientific examination of the taxation policy of India. Sir, it has been pleaded by the spokesmen of Government that the credit of India is high; and the Bombay Baronet, Sir Cowasji Jehangir, maintained on the floor of the Assembly that credit of India was due to the credit of the railway finances of India. But they forgot to examine another aspect which has already been mentioned on the floor of this House by the President, in his masterly Presidential address *viz.*, that it is the heavy export of gold from India which has enabled this tottering Government to maintain and establish the present level of credit of India. Now that level of export of gold will soon vanish, because the poor man has no distress gold left now to part with any further, nor

have the rich men, the bankers and bullion merchants like my friend, Mr. C. V. Mehta have not enough gold hoarded in the Banks to send them away to England. So Government will shortly find that they cannot maintain any more the credit of India by the policy of the export of gold. In the meantime the expenditure of the Government of India is following the rake's progress. The Government have restored the cuts in the salaries of their servants, which they should not have done. Not only that but the Government of India, without consulting the representatives of the taxpayers, are writing off capital against Indian revenues. I will mention one or two instances. One is this. They have formed here in this very capital the New Delhi Municipal Committee to which body they have handed over assets to the extent of Rs. 166 lakhs and they have quietly agreed to writeoff Rs. 110 lakhs out of it. Therefore assets for a big electric supply company—roads, materials and machinery—were all handed over to the tune of Rs. 166 lakhs and the taxpayers and the public and we the mercantile community knew nothing of it till it came out in the report of the Public Accounts Committee. Another asset they have written off is Rs. 167 lakhs of the capital portion of the Posts and Telegraphs Accounts. Of course there had been a Sir Cowasji Jehangir Committee which wanted that it should be revised. That Committee sat in 1931 but Government in their supreme intelligence wrote off that capital from the year 1925-26 whereby a certain amount of interest as was derived from the Posts and Telegraph revenue which really was capital expenditure was lost to the general revenues. But the most alarming feature that I find in the taxation policy of the Government was in the expenditure policy of the Government of India. Sir, there has now been raised a cry that the Railways have been over-capitalised and that some of the capital of the Railways should be written-off. This hint has been dropped from very powerful quarters, I mean the leader of the European Group in the Assembly; and , as we know the Government of India are nothing but the servants of the descendants of the East Indian Company who are the European mercantile community in India to-day; and I fear very much that some day, behind the back of the Indian mercantile community, behind the back of the Indian public, the Government will quietly write off some of the capital, which at presents stands to the tune of Rs. 800 crores. I was surprised also to find that Sir Leslie Hudson observed that the Railways have been over-capitalised, and yet, if I remember aright,

it was the agitation of the European mercantile community in 1921-22 that the different Chief Commissioners of Railways went from extravagance to extravagance and spent Rs. 150 crores of capital in extravagant railway expansion, in the unnecessary remodelling of railway stations, and so on, and the demand has come from the very masters who demanded capital expenditure that this over-capitalization should cease. Well, why should that over-capitalization cease when the Railways are going to be under a separate Statutory Railway Authority? Sir, I do not wish to dilate at more length on this point as there is a separate Resolution on this subject and when we are hoping to hear one of the best speeches from my friend, Mr. Manu Subedar, but I would like to point out one thing. Sir, some years ago the then Finance Member Sir Basil Blackett created a fund for the reduction and avoidance of the debt of the Government. At present Rs. 3 crores are set apart every year by the Government of India and they are investing Rs. 1 crore 40 lakhs every year in the shape of railway annuities. What I suspect is that unless our industrial magnates and financiers watch it, all these 40 crores which have so far been invested in buying up these railway annuities some day owing to the plea that railways have been over-capitalized, the general taxpayer will find that the money has been quietly presented to the railways as it has been presented to the New Delhi Municipal Committee and the Postal and Telegraph department. Not only that, the Railways do not contribute annually the five crores which they would contribute under seperation convention and which would give the necessary relief for revising the taxation policy of the Government of India. We have heard it said from very powerful quarters—again the representatives of European interests in India—that it is no use asking for that, because the railways in their present financial distress cannot pay that. I think it is honest business bargain, the railways must pay on from year to year those five crores which will bring great relief and the necessary relief to the nation building departments which my friend Mr. Chinoy alluded to.

The Resolution also raises the question of heavy civil administration expenditure. While the taxes are maintained at such high level, the Government go on in their rake's progress of spending higher and higher sums of money on civil aviation, broadcasting and such other things which do not touch the masses. The Govern-

ment have allotted one crore every year for the past two years for rural uplift work, and I understand that out of the money allotted to the Punjab, the Punjab Government have spent large sums on broadcasting so that the villagers in the Punjab, with their empty stomachs under the banyan tree could listen to the music relayed by the Delhi Broadcasting station and enjoy the same.

Lieut. P. S. Sodhbans: The people in the Punjab do not understand the language in which broadcasting is done at Delhi.

Mr. B. Das: My friend and his countrymen from the Punjab are however very pleased with the way in which the rural uplift fund is utilized in the Punjab, so that broadcasting should amuse the villagers in the Punjab.

We know there has recently been a Committee called the Wheeler Committee which examined the Secretariat re-organization and if rumour be true, that Committee has recommended or is going to recommend further expenditure in the shape of more Secretaries, Joint Secretaries and Assistant Secretaries, so that the Government of India could go on spending extra money on their general administration.

Sir, heavy military expenditure has already been alluded to by the mover of this Resolution. I was a little alarmed in reading in the Press two days ago that the Commander-in-Chief of India, Sir Robert Cassels, has gone back upon the policy of the Government of India which was enunciated formerly. It was originally intended that the Indian army should be mechanized. Especially after the Italo-Abyssinian War, the policy of pure mechanization has come to be looked on with disfavour. It is thought now that pure mechanization is of no use. It is the army of numbers that is required and as India happens to be the main training ground for the forces of the Empire Defence, India must recruit more and more Indians so that in case there is War in the East or in the West, the Indian army will be available readily. This brings to my mind the recommendations of the Indian Capitation Tribunal which was presided over by Sir Robert Garram and two Chief Justices of High Courts from this country, were members. That Committee went into the question of how much the British Government should contribute to the Indian military expenditure to cover that part of the expenditure on the army which is meant entirely for Empire Defence.

Sir, that Committee managed things in such a way that Great Britain charges two crores to India towards capitation which means that the preliminary training of those British soldiers that come to India are a burden on India while these soldiers get further training in martial warfare on the two frontiers, the Eastern and the Western, and the Britain will pay 2 crores to cover the extra expenditure of the army that is maintained in India. I submit this is not the correct thing. However that has been allowed by the President of the Tribunal and the Government of India, both the Commander-in-chief and the Finance Member want that the army expenditure should be on the increase now. That should not be the case.

I would now give a concrete suggestion to the Federation. We have no reliance on the Government of India constituted as it is at present, with their commitments to the Princes and to the British Government to start the Federation and the new constitution. Under these circumstances the Government of India will never take serious steps to revise the taxation policy of India. Why should not this Federation appoint an expert committee from among its own members? Probably the best Indian experts are members of one or the other of the Member bodies of this Federation. Let a non-official committee of such experts be appointed to examine the rake's progress of the Government of India finances and let them define the taxation policy, not in the way as Mr. K. T. Shah defined in the Report about India's debt position, about repudiation of debts and so on, but as cool and hard headed businessmen and I prophesy that some of these businessmen, one day or the other or in the near future, will be the Finance Members of the Provinces and the Government of India. Therefore let them examine the present financial position and let them tell the Government of India and the British Government and the world at large how India is being exploited and that this sort of exploitation does not bring the revival of trade in India, it does not bring contentment and prosperity to the commercial community in India and above all it does not bring any prosperity to the masses who are the backbone of India. (*Applause.*)

Mr. Beg Raj Gupta, (Marwari Chamber of Commerce, Bombay): supported the Resolution in a Hindi speech.

President: The Resolution has been duly proposed, seconded and supported. I will now put it to vote.

The Resolution was carried unanimously.

President: I will move Resolution No. 5 from the Chair. The Resolution is:—

TRADE BARRIERS WITHIN INDIA

The Federation urges the removal of all barries to free trade within the country between the different Provinces and States, and emphasises that in the interests of trade and industries of India as a whole as also to minimise illegitimate diversion of trade from British Indian Ports to State ports or *vice versa* an early settlement with States—maritime or internal—concerning this and other questions is of vital and essential importance.

The Resolution was adopted unanimously.

President: I Call upon Mr. Shroff to move the next resolution.

Mr. A. D. Shroff, (Indian Merchants Chamber, Bombay): Mr. President and Gentlemen, I move the following Resolution:—

PROTECTION TO INDUSTRIES

(*a*) The Federation records its considered opinion that an industry otherwise entitled to the grant of protection need not be required to satisfy the condition regarding abundant supplies of indigenous raw materials laid down in para. 97 of the Report of the Indian Fiscal Commission.

(*b*) The Federation views with great concern the Government of India's decision in rejecting the Tariff Board's recommendations regarding the grant of protection to glass and woollen industries.

(*c*) The Federation urges that Government should place, with their recommendations, Reports of the Tariff Board within six months of their submission, before the Legislature.

Sir, with your permission I will endeavour briefly to review the historical background before coming to the deficiencies in the working of the machinery prevalent to-day; As late as 1899 a German economist, by name Wagner, said this:—

> "The prosperity of the industrial countries of the west rested on the assumption that the backward countries will indefinitely continue to exchange their foodstuffs and raw materials for the finished products of the west."

Sir, that was a very far-sighted statement made in 1899, and I am sure there is no country in the west which has not realised to its cost during the last 8 or 10 years the absolute and essential truth of the dictum of 1899. But so far as we are concerned, it appears that the early tariff history of this country was completely inspired by a full conviction on the part of the authorities in this land,—a subordinate branch of the bigger Government in the United Kingdom,—that the industrial prosperity of the United Kingdom must be assured for all time to come through the continuance of India as the exporter of food-stuffs and raw materials in exchange for the finished products of the flourishing industrial counties of the United Kingdom. Sir, if you just remember what was the tariff policy before the Fiscal Commission of 1922 came to be appointed, and particularly the early fiscal policy in this country, you will find that Government fought shy of levying an import duty on any article excepting a very few. And when in 1896 the whole thing was brought to a head, when the Lancashire interests could not bear the idea of British piece-goods being subjected to the enormous duty of $3\frac{1}{2}$ per cent., they had to be reconciled by the imposition of a cotton excise duty on the manufactures of this country. Sir, I need not dilate on that most sordid chapted in the history of British administration in this country, when the cotton excise duty was allowed to remain on the statute book from 1896 till 1925. Sir, I fail to recall any instance in the relations between country and country where it could be overdone, in comparison with the continuance of the cotton excise duty in India for the sole and specific purpose of finding a ready market for all time for the finished products of Lancashire. Sir, we are often accused of importing politics into the consideration of purely economic and financial questions. I for one plead guilty at once to the importing of politics into the consideration of economic questions so vitally affecting us in our every-day life. But I am bound to point out to our critics that the importation of politics is not only inevitable in the consideration of these questions, but so far as the critics' own countrymen are concerned, they will only have to study their own history to find that we are following in the foot-steps of their own countrymen. Sir, the history of the fiscal policy of this country before 1922 is nothing but a very graphic illustration of the use of political domination of this country for the economic exploitation of the helpless masses of India; These must be strong words, but these words come out of conviction, out of a humble study of the working of this most

pernicious policy a policy that has impoverished this country, a policy that has left us very helpless when we are asked to negotiate with countries like Japan and the United Kingdom.

Sir, this political factor counted for so much in the consideration of fiscal matters that even our great veteran, the late Mr. Gokhale, speaking on a Resolution in the old Imperial Legislative Council on the 8th March 1911 on a Resolution moved by the then Mr. Maneckji Dadabhoy for the abolition of the cotton excise duty, said this:

> "Situated as India is, I fear there is no likelihood of the right kind of protection being available to us; and it is my deliberate conviction that in our present circumstances a policy of free trade reasonably applied is after all the safest policy for us. Otherwise influential interests, influential combinations, influential parties in England who can have ready access to the Secretary of State to whom we have no such access will not fail to take the fullest advantage of the situation, and this huge engine of protection which has a vast power will be employed not in the interests of the people of India but in the interests of those parties. That being so, I do not think we should go in for the advocacy of protection as such in the present state of the country, and I for one will not be a party to such advocacy."

I am reading this quotation to make you realise the force of the political factor in the consideration of a purely business proposition. Another of our great veterans, Sir Dinshaw Wacha, speaking as late as January 1915 before the commerce graduates of Bombay spoke in the same strain. He felt that whilst protection was imperative for the growth of nascent industries in the country, the conditions that prevailed in India made him hesitate a lot before recommending that to his countrymen. If you refer also to the days of the Bengal partition agitation and Surendra Nath Banerji's great orations of those days, you come across one very striking passage. He says:—

> "The swadeshi movement was in spirit a protectionist movement; only, as we had not the power to make laws which was in hands other than our own, we sought

to surround our domestic industries with a tariff wall, not raised by the mandate of the legislature but by the determined will of our own people."

Well, Sir, these considerations guided our tariff policy. Then came on the great war. The war brought in its own emergencies and it did not imply any change in the tariff policy on the part of authorities in this land when they went in for increasing duties year after year. The duties were increased because Government wanted money to meet the emergencies caused by the war. Things were really brought to a head when the Industrial Commission made its very memorable report; and following up that report with continued pressure exercised in the old Cuncil, Government appointed the Fiscal Commission in 1922 under the Chairmanship of Sir Ibrahim Rahimtoola. But, Sir, before that this question came for even a little official review when Mr. Montagu the Secretary of State came down to India and reviewed the political and economic situation in the country in consultation with the then Viceroy Lord Chelmsford; and in their Monford report we get some very striking passages. The most striking I have come across is this where the joint authors say:—

"The theoretical free trader we believe hardly exists in India at present."

I should be inclined to suggest that he never existed if he at all understood the circumstances of his country. Another thing which Mr. Montague said was:—

"So long as people who refuse India protection are interested in manufactures with which India might compete, Indian opinion cannot bring itself to believe that the refusal is disinterested or dictated by care for the best interests of India."

Sir, I will only refer very casually to the circumstances which make it inevitable that a country like India cannot have any but full-fledged protection as the right and correct tariff policy. We have a country of vast population; 80 per cent. of the population is dependent for its livelihood on agriculture; and even Mr. Montagu remarked in his review that the economics of a country where 80 per cent. of the population are dependent for their livelihood on agriculture can only be economics of a very unstable character. It

is in pursuit of this observation, it is in pursuit of this definite knowledge of the conditions of this country, that the commercial community in India has consistently advocated the policy of protection for the development of industries in the land. The very forceful remarks of joint authors of the Montford report made the Joint Parliamentary Committee of those days consider the possibility of conferring on India a power to evolve its own fiscal policy, and that policy has come to be known as the fiscal autonomy convention. I know, Sir, that too much has been made of this fiscal autonomy convention. If I may be permitted to observe, there has been more of convention, very little of fiscal freedom and nothing of autonomy. Then came the Fiscal Commission of 1922 which after reviewing the whole position, after studying the possibilities of developing industries in the country, after thoroughly reconnoitring the field of action and reaction as a result of the adoption of this policy, after examining the various contentions on both sides whether it would do India ultimately good to develop industries, to divert some of its people from agriculture to industries, that commission came to the definite conclusion that it was in the best interests of India to adopt a policy of discriminating protection. That was the recommendation made by the majority of that commission. In recommending that policy the Fiscal Commission laid down three very important conditions, which conditions from that day have been treated as conditions precedent to the grant of protection to any industry in the country. I will read those conditions here. Firstly, that the Government of India in adopting the policy of protection with discrimination shall see that the discrimination be exercised in the selection of industries for protection and in the degree of protection afforded so as to make the inevitable burden on India as low as is consistent with the due development of the industry, that the industry possesses natural advantages, and these natural advantages have been described in the shape of abundant supplies of raw materials, labour, cheap power. Secondly that without protection the industry is not likely to develop at all or not so rapidly as is desirable: and thirdly that the industry will eventually be able to face world competition without protection. The idea of protection recommended might well be put in the form in which Lala Harkishen Lal put it best—nurse the baby, protect the child and free the adult. That commission also laid down recommendations for the adoption of actual machinery to bring this new policy into operation. The creation of a tariff board, the

presentation of a case in the first instance by an industry to the Commerce Department of the Government of India, and to prove that there was a prima facie case for grant of protection. The examination by the tariff board, submission of its report to government and finally the government's decision on the Tariff Board's report. The actual working of this policy has been found to have given as machinery which is in actual working creaky. For instance, the tariff board has been asked to examine the case of an industry applying for protection, but the tariff board is not empowered by law to compel evidence from the industry that applies for protection. That provides a very readymade loophole to the Government of India to reject the demand of any industry for protection on the ground that the whole of the industry did not apply for it, and that the whole of the industry did not present its case to the Tariff Board. Take for instance, the recent case of the woollen industry where 50 per cent. of the industry did not tender evidence, and therefore government had a plausible ground to say that the industry as a whole did not supply all the necessary data and therefore the Tariff Board reached its conclusions on insufficient information. One very important improvement that is needed in the machinery is to compel by law an industry applying for protection to submit all the information that the Tariff Board may call for. The resolution specifically refers to one condition laid down in the Fiscal Commission's report—the supply of abundant raw materials. Mr. President, you have referred in your speech to the fact that United Kingdom supplies so many countries of the world with its cotton piece-goods without growing a single bale of cotton. You have also given a very striking example in the industrial economy of the United States, that America is one of the largest producers of rubber goods in the world without producing an ounce of rubber. It beats our understanding why the possibilities of developing industries in India should be subjected to this unnecessary handicap of satisfying the Tariff Board that India is gifted with abundant supplies of raw materials and that condition should be made a condition precedent to the consideration of its case. Sir, we have reached a stage when that condition ought to be dispensed with if sincere genuine development of industries is really meant by the authorities in this land. In the presentation of the report by the Tariff Board and the time lag between the submission of the report and the decisions reached by the Government it has been our painful experience that in some cases the

Tariff Board reports have been shelved for two or three years; in other cases we find that government have not given the legislature an opportunity to consider the report even when government have reached the decision not to accept the recommendations. A very necessary amendment of the present machinery should be that within six months of the submission of the report by the tariff board it should be brought within the purview of the legislature of this country. This will give the legislature a very effective opportunity of correcting any flaws in the decision which the Commerce Department of the government may have reached on the materials supplied by the Tariff Board, and possibly of correcting certain other outside considerations which may have influenced government in reaching their final decision. But I must submit that the changes which we are asking for are merely tinkering with the fiscal policy of this country. What we should really ask for is a complete re-orientation of the existing policy. If this country is to develop industries on a large scale, if this country is to provide its people with opportunities for increasing its capital, if this country is to provide diversified channels of employment and if this country is to provide also a solution of that very big problem, the problem of the 80 per cent. of the people of this country being made dependent upon agriculture, a gamble in rain—there is no other correct policy that can be adopted by the government in this country than a policy of a more liberal and advanced type of protection; and we are warranted in asking for a complete re-orientation of policy from the experience of other countries in the world. Take for instance the United Kingdom itself. Readers of English economic history are really shocked to day to compare the condition prevalent in the United Kingdom with those of the Anti-Corn Law Legislation, when there was a raging tearing propaganda throughout the United Kingdom carried on by that great man, Cobden, and he converted the whole country to the adoption of a free trade policy. What do you find to-day? The United Kingdom is not only determined to protect her industries; what was considered absolutely inconceivable some years ago, that the United Kingdom would ever tax its food, every day there is a new duty imposed on the imports coming from abroad; the Englishman's breakfast which was boasted to have consisted of articles freely imported from different countries, where is it now? That breakfast to-day is a painful sight—it consists of commodities which have passed through several hurdless before they reach the breakfast table of the Englishman to-day.

Conditions have vitally changed. Even in a very orthodox country like Holland where free trade ideas persisted perhaps with greater insistence than in the United Kingdom even there conditions have changed. Take other countries, America has been increasing protection. Think of France, Think of Germany: everywhere you hear the same story. It is the pursuit of the ideal of national self-sufficiency. Is India to be denied the same course again? There is also another important aspect of this question. I for one believe that fiscal freedom for India cannot be assured till this country also obtains powers of managing her own currency and exchange. If in the last war, the world has learned anything new, it is that your tariffs or fiscal policies can be easily upset by an exchange war. The economic progress and expansion of Japan throughout the world during the last few years is to a considerable extent achieved through the manipulation of her national currency and exchange parity. Unless India enjoys the same right of determining the value of her currency and of adjusting her currency values to suit her fiscal requirements, it would be a very distant day when India will enjoy a very correct fiscal policy in this country. When we talk of a correct fiscal policy, we mean something much wider. Simply the power of levying duties, simply the management of currency and exchange will not be comprehensive in themselves to ensure the right development of industries for this country. What I mean is a re-orientation of the complete economic policy of the country, where the fiscal policy will only be one unit in a co-ordinated whole. It is with this view that I commend the resolution for your acceptance.

Mr. S. M. Bashir, (Merchants Chamber of United Provinces): In supporting the Resolution said:—

MR. PRESIDENT AND GENTLEMEN,

The resolution which I have been called upon to support appeared to my mind, when I read it for the first time, as much too innocuous to require any long or reasoned supporting speech. My first feeling accordingly was that the proposition might be placed from the Chair.

I have, however, since felt otherwise felt so not because I have changed my first view regarding the resolution, but because we have since been given an astonishing exposition of the economic value of industrialism from certain high official quarter. I have in

mind, Sir, the amazing utterance of the Hon'ble Finance Member made the other day on the floor of the Legislative Assembly in finally replying to the debate on the Finance Bill.

Sir James Grigg tauntingly referred to industrialism as "the new cry" and sarcastically observed that the process of industrial expansion is being depended on to come "through more and more protection given after less and less enquiry for longer and longer periods". If such a mocking reference were an isolated statement of the Hon'ble the Finance Member, we could have retorted in a fit manner. But the Hon'ble Finance Member's latest tirade against industrialism and fiscal protection should make us all concerned, if the fiscal foundation of this country laid so far back as 1923 and on which has been built up not altogether a tiny structure of protected industries, is really safe at the moment or will not soon be largely impaired before Sir James Grigg lays down the reins of his office two or three years after.

Sir, I do not wish to raise the question here—for I grant, the annual session of the Federation is hardly a platform for it—whether it is at all constitutional for a member of the Government to let loose his personal fling at all conceivable opportunities, against a fiscal policy to which the Government are committed and the revocation of which, I am sure, the present Government have not the courage to propose.

Leaving this wider issue apart, the position is that the commercial interests of the whole country have to live to-day in constant fear of the assailment of a tariff policy which, however inadequate, has still worked to serve our cause. To-day we have to prove even the fundamentals of the economic theory that industrial expansion will tend to larger production of wealth and normally speaking, greater distribution of income, so as to help employment and improve standard of living.

Sir James Grigg in his recent speech in the Assembly, I just referred to, visualised an alarming picture of falling imports and diminished exports as a result of the expanding process of the industrial development. I have not the patience to attempt an elaborate examination of the economic puerilities of the Hon'ble Finance Member, but I would ask him only to reflect on the quantitative reduction of India's import trade in piece-goods during the last 15 years and to note that no catastrophe has overtaken the

Indian agriculturists even though the piece-goods import trade has been more than halved during this period.

I apologise, Sir, for having spoken slightly wide of the terms of the resolution, but I hope you will bear with this irresistable diversion on my part. When the official spokesman of the Government of India considers the fiscal assistance to industry as a subject of mocking reference, it is not with perfect equanimity that we can put forward a plea for relaxation of the conditions of fiscal protection.

I do not think, Sir, it is necessary to adduce new arguments in favour of the view that an industry having claim to fiscal protection should not be required to prove that its raw material is available in abundance in the country itself. Our worthy President has referred in his speech to the cases of the British cotton textile and the American automobile industry in both of which cases important raw materials are not available within the country of manufacture. Yet those industries have not only come to stay, but constitute to-day one of the largest enterprises of the United Kingdom and United States of America.

Not only these, but reference may also be made to the frantic efforts made by the British Government to develop the Synthetic dyeing industry in the years immediately following the war under the shelter of formidable scale of protective duties. The British Dye Stuff Act has failed but it was passed inspite of the fact that the United Kingdom herself does not possess chemical resources even in limited quantities, far less in abundance.

To turn again to the position of the heavy industries of Japan, which have made remarkable strides within the period of the world depression since 1929. The value of the output of the Japanese metal industry which was 3,300 million yen in 1929 has risen to 5,900 million yen. Similar strides were recorded by the Japanese heavy chemicals and motor car industries. All these developments have been made possible by the grant of protection to the Japanese industries and all that without resort to the tedious and time-killing process of examination by special machineries. With regard to the motor car industry, the number of vehicles produced has advanced from 38,000 in 1926 to 106,000 in 1932 and though the import of foreign cars has fallen from 7,800 in 1928 to 491 in 1933, the total value of imported chasses and tyres remained unaffected

for a number of years. It only shows that Japan in developing her industries under protective conditions did not mind assisting even such industries as were initially in the nature of assembling imported parts. It is only in 1933 that Japan ceased to be an importing country for motor tyres.

The restriction regarding raw materials did not matter in the first era of our post-war industrial development. India is infinitely rich in certain raw materials and for a time, we could have well confined our industrial activities towards the exploitation of those raw products but we have by now fairly come to the end of that stage. Sir, I venture to say that if the "indigenous raw material condition" is to operate restrictively on our future fiscal policy, the hope must be given up for strengthing our industrial structure in more diverse directions than what the position is to-day.

The big fact that is overlooked in this connection is that buying from a foreign nation the raw products of a home industry is no more a problem it was under pre-war conditions. A simple reference to the case of Japan will bring home the point. Has not Japan struck a big bargin with India simply because she was in a position to buy India's raw cotton? The world is in a plethoric condition to-day with the supply of raw materials and if the industry could be built up by the purchase of such raw materials, it is not only that such industries are built up but a claim is established in the bargain for a market of other home products in the country of supply. Nothing could be harder lines than the decision of the Government of India that the glass industry must not have the tariff protection because the soda ash is still a problematic product which India herself may or may not be able to supply.

Of the slow-legged pace at which the present machinery for the grant of protection moves in this country, I need not say much. The case of the glass industry's application for protection being referred to the Tariff Board in October 1931, and the Board signing the report in March 1932, and the Government of India releasing the report and amouncing the decision in June 1935, beats the record of even the traditional slow pace associated with the snail. In the case of the glass industry the Government has been quicker in announcing the decision but a decision which is nothing more than a reference back to the Committee might have been expedited much more than has been.

Indeed, when it suits the Government of India, they know how to act with promptness. It is less than a couple of weeks that Sir Alexander Murray has signed his report of the Special Cotton Textile Board and I feel certain that in less than 3 months, the Government will make known their decision on the report of the Board. When officers can be made available in the Commerce Secretariat to draft propaganda articles for newspaper colums, surely an arrangement for prompter disposal of Tariff Board report would not unbalance the budget, even though it may upset the tradition of the leisurly disposal of the S. O. S. applications of the industries for tariff protection.

Sir, I have done. I do not think I need detain the House any longer for fear of being subjected to criticism by those who probably at the moment would not be feeling the pinch of a bad fiscal policy but probably the pinch of the luncheon to be given at the Maiden's Hotel. In commending this resolution to the acceptance of the house, I would end by saying that if industrialism is a wrong cry, it is at least better than the mentoring harangue to silence every cry. Where is the Indian business man who would not welcome the development of agriculture? But, can such development take place by making a fetish of empire markets, by importing marketting experts, by holding out pious expectations never realised and all that drowned in a lustier and lustier voice and repeated with greater and greater sickening frequency?

President: I will call upon Mr. Mohanlal Sha to speak after lunch.

The Session then adjourned for lunch till 3 P.M.

AFTERNOON PROCEEDINGS.

Saturday, 4th April 1936.

The Federation re-assembled after Lunch at 3 P.M., with Lala Padampat Singhania in the Chair.

Mr. Mohanlal Sah, (U. P. Chamber of Commerce): Mr. President and Gentlemen; after the subject has been dealt with in the able and admirable address that we heard this morning from our President, after the learned discourse that we heard from Mr. A. D. Shroff, and the illuminating thesis that Mr. Bashir gave, it is unnecessary, or rather it is rank impertinence on my part to say much on this subject, but I will just remind the House of the speech of Mr. Ramsay Macdonald who was then Prime Minister of England, in his message to the world in the Christmas of 1934. There he said that he wanted the industries of England to revive, and he wanted new industries to be started. And what was that for? It was because there was unemployment in that country. Here in India also, we have the same conditions as they had in England in that year. In my own province, namely, the United Provinces, we had an Unemployment Committee presided over by the Right Honourable Sir Tej Bahadur Sapru. It is for the purpose of relieving this unemployment that we want industries to be revived and we want new industries to be started. Another aspect of the case is that at the present time we are going through a state of acute agricultural distress; prices have fallen and the fall in prices has come to stay. The income of the agricultural masses has been reduced considerably, and unless and until a big proportion of the population is diverted from agriculture to industry, the condition of the masses cannot improve. It is for the sake of the masses that we want industries and new industries. In these days of economic nationalism, when every country is concentrating on its own industries and is fighting its own battles, our country, poor as it is, cannot progress unless it is protected by means of high tariffs. Those countries have not only erected high tariff walls, but they have deflated their currencies. Also, we have at the present moment a plethora of money. The interest charges are comparatively very low, and the prices of machinery and other articles are also low. If we do not build industries at the present time, the opportunity will be lost. In the west we see signs of war on the horizon, and as soon as the war breaks out, the prices will go

up and the chance that we have now of building up our industries will be gone. It is for this purpose that it is necessary that we should build our industries. Pt. Govind Ballabh Pant also said in the Assembly the other day that in this matter a bold policy that is required of the Government.

Personally, I have not been able to understand why the Fiscal Commission has laid down that there should be an abundant supply of raw materials in the country before protection can be given. Take the logical consequence of this condition. If we substitute individuals for nations, what woul be the result Supposing I am a good tailor, in that case it would mean that unless I am the producer of cotton or wool, I cannot ask that the cloths sewn by me should be patronised by my family.

Gentlemen, the second part of the resolution relates to glass industry. This question was examined by the Tariff Board. This Board consisted of Dr. Matthai, who is now the Director General of Commercial Intelligence, Mr. Fazal Ibrahim Rahimtoola, and Mr. G. T. Boag, and the technical adviser was Mr. Hopkins, an expert who had been sent for from England. They investigated the question very fully. In their admirable report they have recommended that protection should be afforded to each and every kind of glass that is manufactured in India. Not only the Tariff Board, but the Industrial Commission also considered that the glass industry had come to stay in India and that it was absolutely necessary in the interests of the glass industry that it should be given a little encouragement in order that it might continue to stay But what happened? Glass industry in other countries has got high protection. From Rs. 9-13-0 per case in the case of the sheet glass to Rs. 200 is the protection that is given to glass industry. One of the biggest producers of glass is Japan ; and recently the currency of that country has been devalued in addition to the high tariff wall. Then came the devaluation of the Belga, with the result that the Indian glass industry which is still in a nebulous state is suffering from the effects of Japanese and Belgian competition. My friend here has invested lakhs and lakhs of rupees in this country on glass and he can supply half the demand for glass in this country. This fact was recognised by the Tariff Board in their report. His factory is situated at a place which is advantageous to the industry and he can supply, as I have said, half the needs for glass in this country. But on account of the present condition of the industry,

I do not know whether he will be able to continue the work. I say that the Government themselves are responsible for the creation of glass industry in this country. They gave loans, awarded scholarships. They gave loans not only to one factory but to a number of factories. For instance, my friend Mr. Varshani got a loan of Rs. 40,000 at one time and another of one lakh. When they have made some headway and wanted a little support and make out a strong case before the Tariff Board which recognised the strength of the arguments they advanced, Government denied protection. In what direction have they given protection now? They have remitted the duty on soda ash. The protection that is given by means of this is only 2 or $2\frac{1}{2}$ per cent., whereas the measure of protection that is wanted is something like 50 or 60 per cent. The Government have rejected the claim because soda ash is not available in the country. What does the Tariff Board in their report say?

> On this view of the case, we hold that the fact that the Indian glass industry is now dependent on imported soda ash does not invalidate the claim to protection, especially when there is a reasonable prospect that the manufacture of the material in India will be resumed almost immediately."

After glass comes wool. I submit that in the case of wool Government should not consider that "loom" will follow the "sheep", but they should regard that "sheep" will hollow the "loom". Create "looms" and "sheep" will autometically follow. Sheep is an animal which propagates very fast. In Tibet, about which the report of the Tariff Board itself says that it should be regarded as part of India because it is so near, in Tibet any amount of wool can be grown. After Tibet come the high range of the Himalayas, and in the Himalayas there is ample scope for rearing sheep. We have Leh, Ladak, in Kashmir. In these places best wool can be grown. After the Mutiny, Mr. Cunningham was sent to Leh and Ladak to bring shawl wool sheep from there and these were sent to England to improve the variety of sheep in England. In the Bushire State, in Kulu, abundant supplies of wool can be grown. The sheep propagate very swiftly, and any amount of wool can be obtained from there.

Mr. President, the manner in which the Government have dealt with the report of the Indian Tariff Board in glass industry is really a scandal. The report was submitted in 1932 and a decision was reached in 1936, at the end of four years; and the report was published in 1935. People had invested all their money and they were kept in a state of suspense hoping that Government would come to their aid with a measure of protection. But their hopes have now been shattered. In my opinion, this resolution is a very modest one and does not go as far as it should. The country requires a bold policy of industrialisation, not only that, but rapid industrialisation, and this resolution goes only a small way in that direction, and I think the Government should accede to this request. With these words I support the resolution. (*Applause*).

The resolution was unanimously adopted.

President: The next resolution, that is, No. 7, is to be moved from the Chair. The resolution runs as follows:—

PARTICIPATION OF INDIAN SHIPPING IN COASTAL AND OVERSEAS TRADE OF INDIA

In view of the definite undertaking given by the Government of India after the failure of the Shipping Conference held in 1930 that the responsibility for taking necessary action for the development of Indian mercantile marine rests with the Government themselves, this Federation regrets that no tangible action has hitherto been taken by the Government to implement their promise despite repeated public demand and strongly urges that steps should be immediately taken to ensure that Indian shipping carries sixty per cent of the total cargo and passenger traffic in the coastal as well as in the overseas trade of India.

The resolution was adopted unanimously.

Pandit K. Santanam, (Indian Life Assurance Offices Association): Mr. President and Gentlemen, I have the honour to move:

REVISION OF INSURANCE LAW IN INDIA

The Federation views with satisfaction that Government in deference to the repeated demands of the Federation and the public, has at last moved in the matter of revising the Insurance Law in India by the appointment of a Special Officer, Mr. Sen, to inquire and report on the matter.

The Federation is, however, of opinion that this step is insufficient to meet the situation and in order to ensure a thorough and satisfactory revision of the Law on the subject, it requests Government to appoint a Committee of Enquiry composed partly of officials and partly of non-officials representing the various insurance interests to consider the report of the Special Officer and to take evidence, if necessary, of the Indian insurance companies and the other interests concerned and make a report to Government.

The Federation is definitely of opinion that the revision of the Insurance Act should not be delayed and therefore requests Government to appoint the Committee of Enquiry immediately and introduce egislation at the earliest possible opportunity.

Gentlemen, this resolution has been before you in one form or another for the last five or six years. It has become a hardy annual no doubt, but we have the satisfaction of knowing that this year, at any rate, we have got some progress to report. The constant dripping of water on a stone is said to wear even the stone, and the constant reiteration of this demand by the Federation and by the other bodies concerned has at last had some effect even on the steel structure of the present Government of India. They have appointed a special officer to go into the whole question of the revision of the insurance law and report to the Government. Now, this action of the Government is very characteristic of the present Government. About 12 or 14 year ago, we all realised that the revision of the present insurance law was necessary, that it was necessary to extend the scope of the law and also its provisions so as to embrace all kinds of insurance and all kinds of companies, indigenous and foreign. We were all aware that the present Act was defective in many respects and we were clamouring for its revision. The Government in 1935 appoints a special officer to report to it, whether, and in what directions, and to what extent the revision is necessary. It seems to profess a sort of ignorance of anything on that subject altogether and wants to have information before it moves any further. This is very strange indeed, because in 1925 the Government, without any report by any special officer, had a draft bill circulated for opinion. That draft bill embraces many of the points that have been urged from time to time and criticisms were called for from insurance companies and other public bodies on that draft Bill and strangely enough when we thought that some action was going to be taken the whole matter was

dropped and nothing further was heard about it. At that time we were told that the reason for their not proceeding with the matter was that there was the Simon Commission coming and that the Government of India Act was going to be amended—they did not know in what direction, and they wanted to wait. It was also alleged that the English Government was having a thorough inquiry into insurance legislation and so they would wait and see what the recommendations of the Board of Trade in England were before proceeding any further in the matter. The Board of Trade made its report in the year 1931 or 1932. Three or four years after the Government of India have realised the necessity for the revision of the law on this subject and has appointed a special officer. We have to complain of the slowness with which it moves but apart from that, we have got another complaint and that is as regards the step which it proposes to take. It seems to me that this appointment of special officer is not going to solve any of the real pressing problems which are before us now and in the future. It is a departmental inquiry and the report is a departmental report and the special officer, who was appointed some time last year has made his report to the Government of India. He made his report as early as September last year or October and since then we have heard nothing further in the matter. The Indian Life Assurance Office's Association has asked the Government whether they will be supplied with a copy of that report and so far we have heard nothing about it. What the special officer has done or has not done is merely a matter of conjecture and rumour. We have got no definite information on that point at all. That report is treated as a departmental report. What we contend is—when I say we, I mean the insurance interests mainly operating in India—that this kind of hole and corner inquiry is not enough. There should be a committee appointed, a committee consisting of officials and non-officials representative of every interest, *viz.*, the interest of the insurance companies and the interest of the public who insure with these companies, the interests of the shareholders who are interested in these insurance companies, the indigenous insurance companies, and even the foreign companies, because we are willing to have this matter examined from all points of view and we want a committee appointed of all these interests with power and with directions to take evidence wherever necessary. It will be a matter of information to you that the Board of Trade inquiry lasted more than 8 months or a year and about 200 witnesses were examined and the evidence

runs into 8 or 10 volumes. The witnesses were experts in their subjects, who put forward all aspects of the case and after sifting the whole matter they made a report covering nearly about 70 to 80 pages of printed matter. Now, the Government of India in its wisdom believes that it can achieve all these objects and can bring forward legislation, satisfactory in every respect, by having a special officer making a report to the Government and adopting the same procedure that has been adopted in the case of the revision of the Indian Companies Act, namely, that a committee will be appointed to consider the report of the special officer. That committee will make a report which will be published and a Bill drafted on the basis of that report will be introduced in the legislature. Then a Select Committee will consider it and the Select Committee will then place the matter before the Assembly for their consideration. It seems to me that unless it is made obligatory on this committee of inquiry to take evidence if and where necessary and whenever any person is willing to come forward and give evidence, you would not really have all aspects of the subject considered in that thorough manner in which it must be considered. We do not want piecemeal legislation. The legislation that is already on the statute book is absolutely inadequate and antiquated and when we are going to revise it we want a revision done in a very thorough manner. The Resolution therefore says that though we consider that this appointment of a special officer is some step towards what we want to achieve and what we have been asking for, it is not at all adequate and a committee of inquiry is extremely essential. At the same time we want to bring it to your notice that we do not want this matter to be held up by dilatory tactics by appointing a committee. We want it to be done as expeditiously as possible because Indian companies are suffering from two fold handicaps. One is the very unfair and uneconomic competition from foreign companies which have a free field in India, while in their own countries they place all sorts of obstacles and even prevent the Indian companies from setting their foot there. The implication of that competition is this. They are free to come here and do business unchecked by any rules or by any control by Government and they resort to tactics which make it absolutely impossible for the Indian companies to work in an economic manner, which is essential for them if insurance is to progress in this country. That is one difficulty. The other difficulty is due to the laxness of the rules obtaining at the present moment. The fact that there is

what you might call a boom in insurance has given a great fillip to the starting of new insurance companies during the last three or four years. During this period, the growth of insurance companies is much more wide spread than the growth of sugar companies in the same period. There was some justification for sugar but there is none for insurance, at any rate under the circumstances under which they have to work nowadays. We do not want that these new companies should not be allowed to come in. By all means let them come but I want that the new companies which come in should have a good financial backing and should do business on right and proper lines, so that there might be no shock to the credit on which the whole insurance business is based. We are suffering very severely under these two handicaps and we want that this new legislation should come in as early as possible, so that the House can be set in order, so that the insurance companies can develop in the most desirable manner in the near future. Gentlemen, I do not want to deal with the reasons or with the various points on which we want a revision of the insurance law That is not the question before us. In previous years it was necessary to do this, because we had to make out a case. The necessity for revision is admitted by Government as is shown by their appointment of a special officer. So we do not want to go over the same ground again. Nor do I want to weary you with the tale of woe that we have had to undergo in previous years. What I wish to impress on this Federation and on you is to use its voice in order to impress upon the Government that no tinkering with the Insurance Act will be allowed or will be considered satisfactory by the mercantile community and by the public at large, that all the insurance societies in India should be given a fair measure of protection or at any rate the disadvantages from which they are suffering in comparison with the foreign insurance companies which are operating in India should be removed and that a committee of inquiry should be appointed which will go into all these facts and publish a comprehensive report dealing with all questions relating to the insurance companies, both Indian and foreign. That is the point on which I want your support and I hope you will agree with me that for the growth of commerce and industry in this country, the healthy development of insurance companies which are practically the gurdians of the surplus wealth of India is absolutely necessary. This is a matter which we cannot possibly allow to be ignored by

the Government or in which we can allow any delay to take place by the dilatory tactics of Government machinery. I commend this Resolution to your acceptance.

Mr. J. C. Setalvad, (Indian Insurance Companies Association): seconding the Resolution said:—

I have great pleasure in seconding the Resolution moved by my friend Pandit Santhanam. After the able way in which he has put our case before you, I have only a few points to mention. It was in 1925 that we first asked for insurance legislation in this very hall and after all these years in 1936 we are informed that the report of the special officer appointed by Government in connection with this legislation is in their hands. Legislation was delayed all these years and various excuses have been put forward which have been referred to by Pandit Santhanam in his speech. The first was that the English Act was being revised and we should wait till that document was available to us. To my mind that Act is of no use to us in India, because the conditions in India and England are quite different. If we are going to have any legislation on the type of the British Act, I do not think it will help us very much as far as foreign competition is concerned. We want legislation on the lines of other countries who have developed their insurance business in recent years by protective legislation and not on the lines of British Legislation because England has been the poineer in insurance for the last 200 years and more. We have the case of countries like Japan, Italy, Australia and Germany and Canada and other places, where legislation has come to the help of indigenous companies and put them on a sound financial basis. We are very often told that discriminatory legislation is not desirable as insurance is a world wide business. If that was so, I do not think that the countries of which I have a list here would have passed discriminatory legislation prohibiting foreign companies from entering into unhealthy competition with their national companies. What do we find in India to-day. We are faced with the competition of 175 foreign companies in India which number was 125 a few years back and if we are not going to have any discriminatory legislation which will compel these foreign companies to put substantial deposits before they start any business in India, I do not think this legislation is going to help us very much. The reason for delay is twofold. Perhaps it was well

thought of and well-designed because I understand from my friends who are in the Assembly, I had a talk recently with some of them in connection with Insurance Legislation and one of them told me that we will be very lucky if the Bill introduced before the Federation comes into being, that is in 1939. Now if that is so, then no sort of protection could be given to Indian Companies against Companies registered in the United Kingdom. So the best thing the people who are interested in the insurance business should do is to get a private Bill introduced immediately in the Assembly by one of our representatives and thus focus public opinion and enlist the support of members of the Legislature in favour of the private Bill. I myself and some of my insurance friends are strongly of opinion that this is the only way to expedite the Legislation, and I am glad to say that we have secured support from influential business men who also agree with us that a private Bill shoule be introduced, if you want anything to be achieved, either in the September session or the latest at the next March session. Unless we do that, I am advised that this Insurance Legislation is not likely to be introduced before the Federation comes into being. So I appeal to you, gentlemen, to give us your support so that private Bill may be introduced in the Assembly at an early date with the united support of the Commercial Community of India. As my friend Pandit Santhanam has pointed out, it is no use going into details now but I am not an optimist like him; I do not expect anything substantial from the coming legislation unless we make our own efforts. No doubt we might expect to see a Government Bill introduced, but that I am afraid will come very late, perhaps too late after the foreign rivals have wiped us out. It won't be of much use to us, so the best thing for us to do is to make our own efforts and push through a private Bill as early as possible. At any rate that will help us in focussing public opinion and in telling Government exactly what we want from the Indian insurance point of view. With these words, gentlemen, I second the Resolution. (*Applause*).

Mr. J. J. Kapadia, (Native Share and Stock Brokers Association): said:—

Mr. President and gentlemen, my friend the mover and the seconder of the Resolution before the House have placed their views from the standpoint—and I think very rightly—of insurance companies—with whose working they are connected from day to day.

I will, Sir, with your permission place before the House a few considerations equally important which will make it absolutely clear that there is an abundant case for the appointment of a Committee—a Committee of the kind asked for in the Resolution. The internal organization of Indian insurance companies, the system of granting loans to managing agents and directors, the way in which important details and particulars are suppressed from policy-holders and share-holders, the unfettered powers and discretion of directors to launch out into any sort of activity at the risk and expense of the policy-holders,—All these are indeed matters which do deserve serious consideration at the hands of insurance companies (Hear, hear) and I hope at the hands of this House also. Take, for instance, the managing agency system. I would ask you in all humility whether in respect of a national service like insurance, whose underlying object is to promote thrift—I am talking for the moment of life insurance companies, whose object is to promote thrift—is it at all compatible with that idea to have managing agents whose terms of remuneration constitute a drain, if I may say so, on the fortunes of insurance companies? What has been our experience? I have, Sir, before me a small book which gives in detail the terms of remuneration laid down in the agency agreements of some insurance companies floated only sixteen or eighteen months ago. I do not desire to name these companies but I think I owe it to this House that I should read for the edification of the House the terms of remuneration which some managing agents are exacting from insurance companies although in the other breath they say these are national institutions. I will quote some particulars. The first item is (4%) four per cent. in fire, motor-vehicles, accident and other insurance Departments of the Company (except life) on all the policies after deducting all premia paid for the re-insurance". That is one head. The other head is: "(¾%) three-quarters per cent. on the face value of all policies issued in the Life Insurance Department of the Company during each year if such total face value does not exceed Rs. 10 lakhs." Then there is a graded scale, and if it is 20 lakhs it is so much, and if it is 25 lakhs it is so much and if it is 40 lakhs it is so much, I will not repeat them. Then, as if the managing agents of the company would go on a starvation diet on the basis of these terms, they go further and say, "ten per cent. of the net profits of the company". They want their commission on the gross premia, they want their

commission on profits,—10 per cent. of the net profits of the company in all its activities other than those mentioned in the foregoing three sections, such share to be determined before making any allowance for a depreciation fund, for a sinking fund, or before the payment of any income-tax or super-tax. Still, the thin end of the wedge is there and they have their demand for $1\frac{1}{2}$ per cent. on all renewal premia on policies issued, collected each year, if such total premia shall not exceed Rs. 5 lakhs and if they exceed Rs. 5 lakhs in any year, then at the rate of $1\frac{1}{2}$ per cent. upon premia up to Rs. 5 lakhs and at the rate of $\frac{3}{4}$ per cent. on any excess premia over Rs. 5 lakhs. Then let me go further. The said firm may also, in addition to their duties as such managing agents as aforesaid, promote any other business and work for the company as the directors may decide and shall receive such reasonable and proper remuneration for such work as shall from time to time be agreed upon between such firm and directors, such remuneration being in addition to the remuneration as aforesaid,—which means, gentlemen, analysed in cold print, that the managing agents of this particular company have concluded what I may call a tripartite agreement. They want to have their commission on the gross premia, they want to have their commission on profits, and they want to have their commission for additional work done,—and what is the additional work done? They may say—"we are acting as chief agents in a particular locality. We put in our brother or uncle as a chief agent and we must have the chief agent's commission, although we may be interested in the managing agency". Sir, I have no desire to pursue this subject any further. All I desire to point out is this.—If insurance companies suffer from foreign competition, and I do admit they do so suffer,—it is as well that they themselves set their own houses in order and followed the proverb—'first deserve and the desire'. Then, Sir, I refer to the launching out of activities other than insurance. I would request you, gentlemen, to take in your hands the memorandum and articles of association of any insurance company and see for yourselves whether the various clauses in the memorandum are such as should be permitted by any insurance company. The insurance companies want to do not only banking business, not only commission business but they also want to dabble in gold and silver, in fact in everything. The Banking Committee before whom this very important consideration was placed recommended that Banks should be prohibited from launching out into activities other than banking,

and by analogy I contend that if Banks could be prevented from doing so,—and in the new Indian Companies Bill the Government of India have put in a section prohibiting Banks from entering into activities other than banking,—I say there is a much greater reason for insurance companies being prevented from undertaking activities other than insurance. Sir, I come now to the next point—Loans. I do not think any words are needed to commend my suggestion to the House that loans by insurance companies to managing agents and directors should be prohibited. We have had a very bitter experience, in Northern India particularly, which is very notorious, for it is a matter of common knowledge that certain managing agents and directors have made it their business to divert the funds of the insurance companies under their management in such a way as to convert them into instruments for exploitation for their own benefit. I do not desire to mention names but we know how strong and robust insurance companies have been bled white by the manner in which their managing agents and directors have taken away lakhs and lakhs from the coffers of those insurance companies. So I do maintain that the Committee that should be appointed ought to consider very seriously the question of prohibiting loans to managing agents and directors. Then the next question is of investments. We have seen how funds belonging to insurance companies are being utilised for other concerns in which the managing agents and directors of these insurance companies are interested. I can place before the House scores of balance sheets which will show how insurance companies are being utilised as so many milch cows for the benefit of the managing agents and directors in order that they may operate upon the funds of those insurance companies and employ them for the purposes of other companies under their management. (Hear, hear). Then the next question is that of the mortgage of uncalled capital. I take it that in the insurance business there is a general practice of not taking away the entire capital for which shares have been issued; in other words, a substantial amount is kept uncalled, the idea being that in the event of the insurance company coming in bad days, that capital may be called out for the benefit of the policy-holders. If you will read the articles of association of insurance companies, you will however, find that unfettered powers are given to directors not only to create mortgages on the assets of insurance companies but also to mortgage uncalled capital. Well, Sir, that

is highly dangerous from the point of view of policy-holders. This very important point was placed before the Banking Committee and that Committee has recommended that the uncalled capital of banks should not be allowed to be mortgaged. The position in this regard with respect to insurance companies is exactly similar and I do maintain that the uncalled share capital of insurance companies ought not to be allowed to be mortgaged by the directors by virtue of their general power of management.

Then, Sir, with regard to the liability of the Directors. The question of the application of the funds of insurance companies is a question of very great importance. The Clauson Committee which was appointed by the British Board of Trade for the purpose of recommending amendments to be made in the Insurance Companies Act has dealt with this point in great detail and that Committee came to the conclusion that the Directors must be held personally responsible and liable for the misapplication of the funds belonging to the Insurance companies and they have definitely expressed the opinion that is an obligation which the Directors are bound to discharge *vis-a-vis* their shareholders and policy holders. So, this also is a point of very great importance which the Committee will have to consider.

Now coming to the business of canvassing, of course I am not aware of the conditions which obtain in other parts of India but, I have some experience of the conditions which do obtain in Bombay and I may tell the House that certain Directors have made it their business to become brokers and canvassers for their own insurance companies and it is these Directors who have greatly accelerated the pace of competition in order that they might secure business for their own companies in which they are directors and thus get brokerages and commissions on a decent scale. I do submit with all the emphasis at my command that balance sheets of insurance companies should disclose particulars of commissions, canvassing commission and brokerages paid to Directors so that their shareholders will be in a position to see how far their insurance companies are being exploited for the benefit of the Directors.

Then, I come to the publication of loss ratios or expense ratios. Here again there is no definite rule to guide us. Well managed companies always allude in their Directors reports to the expense ratio and the loss ratio, that is to say the percentage of expenses

to the total premium income, percentage of loss to the total premium income, but inasmuch as there is no statutory obligation, several companies are not giving these important details. I therefore think it is high time that some statutory rule is fixed up for this purpose also.

Coming to the revenue accounts, I desire to draw the attention of the House to the revenue accounts which insurance companies have to give both under the Insurance Act of 1909 as well as under the recommendations made by the Clauson Committee. It is a very important point that the Insurance companies in England have to state in their revenue accounts the premium income in respect of business obtained in the United Kingdom as also in respect of business obtained from foreign countries. I do submit that all foreign companies which transact business in India should be required to state in their revenue accounts, the amount of premium obtained in respect of business put through in India and also in respect of business put through elsewhere.

The next important point is the question of valuation of investments. Here also a series of juggleries have taken place and do take place every day. Under the existing Act all that the Insurance companies are required to state is the mode of valuation, for example cost or market value. The words in the form are *for example*. They may say at cost, they may say under cost, they may put it above cost, or under market value or above market value, at under cost or market value, etc. The whole thing is absolutely unintelligible and it is very necessary that the law should step in and say that the fixed mode of valuation of investments should be so and so. On this point I will read out to the House the notes framed by the Clauson Committee with regard to investment valuation. The Clauson Committee says:—

> "If the value as shown in the balance sheet of the investments in stocks and shares is, in the aggregate greater than the market value thereof (after deduction of accrued interest included in market prices in those cases where accrued interest is included elsewhere in the balance sheet) then such market value must be shown against the value shown by the balance sheet, so stated as to make it appear what part thereof has been ascertained from published market quotations." The Committee further observes.

President: I am afraid there is not much time to go into all these questions in such great detail.

Mr. Kapadia: I was merely placing this before the House for its consideration. I shall bow to your ruling and shall not follow this trend of argument.

Gentlemen, there is one very important point for consideration which ought to weigh with the Government in appointing a Committee of enquiry. In insurance, it is not merely the business interests that are affected. There are three kinds of interests affected, the business interests, the interests of the investors and the interests of the policy holders. I think in order to strike a proper balance between these interests, it is very necessary that the Government of India should appoint a Committee before whom witnesses may appear and place their views, so that all the issues may be thrashed out and the Committee might produce what we might call a balanced report. Thus when the Bill comes before the Assembly, the Government would be armed with the report of this Committee and would be able to see through the legislation. With these words, I beg to commend this Resolution for the acceptance of the House. (*Applause*).

Mr. S. C. Ray, (Indian Insurance Institute): Sir, this Resolution has received support from two very important Provinces and I rise to associate Bengal with the demand which the Federation is making regarding the revision of the insurance law. I shall content myself with using very few words in putting forward my suggestions in regard to this matter. It was in response to the demand of the Federation and other public bodies that the Government of India appointed a special officer and his report is now under the consideration of the Government. In our opinion, it is not possible for a Government officer to make a comprehensive enquiry with regard to insurance law and that is why we suggest that a comprehensive survey should be undertaken by a Committee of enquiry. I am sure that all the points raised by Mr. Kapadia will receive the best consideration. I believe there are only three important issues involved in the question of revision of insurance legislation. They are, firstly the question of initial deposit, secondly, State control and thirdly the imposition of restrictions on foreign insurance companies. I am afraid there is no unanimity of opinion with regard to the first two of these important issues. While one

group of men suggest that the initial deposit should be two lakhs, there is another school of opinion that such a large demand will stifle the growth of insurance companies, specially of those companies which want to carry on Insurance business on scientific lines but on a small scale. In 1912 the Hon. Mr. Clark, the then Member in charge of the Department of Commerce, Government of India said in course of the Debate on the Insurance Bill in the Imperial Legislative Council:—

> "We have to be sure as humanly speaking as we can be that we are not injuring the sound Companies which are working with small capital."

I do not want to read long extracts. Mr. Clark then said that companies which were carrying on small but legitimate business should be protected The same consideration holds good to-day and that is another reason why, there should be a thorough enquiry. We hope that the Committee of Enquiry will be set up before long and that it will take up in right earnest the investigation into the requirements of the different provinces in the country.

The second point is with regard to State control. There are people who advocate the introduction of legislation enforcing State control of insurance companies on the Canadian principle. There are others who hold that legislation on the Canadian lines will stifle the growth of business and that it will be injurious to the growth of indigenous insurance companies.

Fortunately as regards the third point, namely the imposition of restrictions on foreign insurance companies, there is unanimity of opinion in all quarters of the House. We are all of opinion that Indian insurance companies should be protected from the unhealthy competition of foreign companies.

My friend Mr. Setalvad pointed out that under the New Government of India Act, we are prevented from making any discrimination between Indian and foreign insurance companies. My suggestion is, let there be no discrimination, but we want that Indian and non-Indian insurance companies should be placed on an absolutely equal footing. They should prepare their balance sheets and revenue accounts in the same way and disclose their true state of accounts in one and the same way. As regards Indian companies, I suggest that they should make separate valuations of

their Indian and non-Indian business to let the same rule apply to the foreign insurance companies also. They should separately show the business done by them in India and that done by them outside India. In this way the Indian insurance companies and the foreign insurance companies should be put on a footing of equality. I may inform the House that in Mexico they have passed a legislation, by which they discriminate between foreign companies and indigeous companies. This step they have taken to safeguard the interests of their indigenous concerns. If foreign companies are allowed to do business without any legitimate check or control, they will continue to dump their business here to the detriment of the indigenous concerns. Let Indian and non-Indian companies be put on a footing of equality, so that there may not be any dumping by the latter. In this matter we are all unanimous and therefore the Resolution which the Federation passed in 1935 should be affirmed and we ask for not only a Committee of Enquiry but at the same time we suggest that the revision of Insurance law should be undertaken on the lines which we indicated in 1935. With these words, I support the Resolution.

Mr. K. S. Ramchandra Iyer, (Indian Insurance Companies Association): Mr. Chairman, after the very long speeches which we heard just now, I am not going to take up much of the time of the House. I am one of those who were responsible for bringing up this subject to the notice of the Federation five years ago, and Sir George Rainy in reply said that if legislation was necessary for Indian Insurance Companies, it should be in the early stages. Well, Sir, it is 16 or 17 years since the general insurance companies came into the field, and the early stages have gone. The delay on the part of the Government in not coming to the rescue of the Indian Insurance Companies has now begun to cause great anxiety to the progress of these companies. We have been talking of legislation for insurance business for a period of about 15 or 16 years, and beyond talking and beyond the replies that we have received in the good old days from the Government Members, nothing has been done except perhaps, if you call it an improvement, the appointment of Mr. Sen who has now made his report. In the meantime what has happened in the rest of the world? Small countries like Siam, Egypt, Turkey, where there is not any indigenous company worth mentioning, have passed legislation. The other day an important insurance business official friend of mine told me that shortly his

company would have to withdraw from Egypt, Japan and many other fields, not because there is no business in those countries, but because the Governments of those countries have introduced stringent legislation which would make it impossible for his company to do any business there, even though he had good clients there to give good business. During the last 15 years, if you take only the history of Japan with regard to insurance companies, their position at the beginning of the period was exactly the same as that of the Indian Insurance Companies to-day. The position has been reversed now. It is impossible for any non-Japanese company to do business, or even to get admission, in Japan. On the other hand, in India we are asking the Government to do this and that to help the indigenous companies. The Government have turned a deaf ear to our requests. Italian companies come and do business here; likewise German, Swiss and several other foreign companies have started business here. We cannot stop this; because there is free entry into this country. But what do they do? Where our business was paying and remunerative until a few years ago, the advent of these foreign insurance companies has seriously affected our business. These companies come over here without any clients behind them, get into the market, and are able to find Indian Agents to take up their agencies. Because of the fact that these foreign insurance companies have got no kind of influential connections in the Indian market, they come out and openly auction for insurance business. They accept any and every kind of business, such as cotton, and thus get their fingers badly burnt; and they quietly walk away from this country after doing a great deal of harm to Indian insurance business and the progress of Indian companies. Who suffers in the bargain? The older British companies, or the American companies, who have large accumulated funds at their disposal and who have been doing business here for a long time do not suffer. It is the indigenous companies, which are trying slowly to consolidate their position but which find every inch of their ground slowly usurped by the foreign companies and thus see their further progress blocked. In Japan there is a law by which if any foreigner, or a foreign concern, tries to injure or injuries Japanese interests, he or it is immediately asked to get out of Japan.

As a matter of fact, in the insurance business I find that a great deal of injury is being done by the free field that India offers to

foreign companies. I think we made a mistake 5 or 6 years ago in not demanding from Government what I may call a direct protections for Indian insurance. When big industries, like Textiles, Iron and Steel and many other industries actually demanded protection, I think we made a mistake in not demanding direct protection in the way that it is given in other countries, namely that non-indigenous companies doing business here will be compelled to reinsure a certain portion with indigenous companies. This sort of protection is being given elsewhere.

Mr. D. P. Khaitan: We did ask for protection and Sir George Rainy who was present here replied to us.

Mr. K. S. Ramchandra Iyer: I mean direct protection, and that was not asked for by us at any time before. Mr. Sen who was appointed by Government has now made his report. We asked the Commerce Department, Government of India, to tell us whether we can have a look at the report, and the reply is that Government do not propose to publish that report, but that their idea is to set up a Committee to examine the whole question. We should very much like to know that is the kind of report that Mr. Sen has submitted, what are the difficulties of Indian companies and what are the improvements that he feels are necessary for the development of Indian insurance business. I therefore suggest that Government should not lose any time in publishing this report to the interested bodies so that they may know at least what is the nature of the recommendations made. Much was said by Mr. Kapadia about the existing defects. Certainly Mr. Kapadia is one of those who have contributed very greatly to the improvement of the Company's Act. He himself knows that the Companies Act improvement has already come. Here we are concerned only with protection for Indian insurance. Of course, Mr. Kapadia will be needed further to help us in our object and I am sure we shall receive his co-operation. But what I am asking is, firstly, that we should ask Government without any loss of time to get Mr. Sen's report published; secondly, to appoint immediately a Committee so that this question of insurance legislation may once for all be settled, and so to enable indigenous companies to breath more peacefully before long.

Sir, I support this Resolution.

The resolution was unanimously adopted.

President: The next Resolution was to have been moved by a representative from Baroda, but as he has not turned up, it has been decided that it should be moved from the Chair. Therefore I move:

ADULTERATION OF DRUGS

The Federation is of considered opinion that, as the trade in adulterated and spurious drugs in India is increasing and is causing great harm to the health of the public, the Government of India should take immediate and effective measures to check this trade, and that to this end, they should introduce a suitable Bill in the Assembly embodying the proposals of the Drug Enquiry Committee with a view to get it passed into law without delay.

Mr. Kasturbhai Lalbhai: Sir, I propose a little amendment. I propose that instead of the words "The Federation is of considered opinion" the words "It is the considered opinion of the Federation" should be substituted.

The amendment was accepted.

The Resolution as amended was to vote and adopted unanimously.

Mr. Manu Subedar, (Indian Merchants Chamber, Bombay):

Mr. President and Brother, Delegates,

The resolution, which has been entrusted to me reads as follows:—

RAILWAY FINANCE

(a) This Federation deplores the financial condition of the Indian Railways, which has been brought about in spite of frequent and grave warnings from the business community in the direction of rigid economy. Indianisation and businesslike management. The Federation urges upon Government to institute an enquiry at the hands of the Indian business representatives and financiers to go thoroughly into the financial condition of the Railways and to suggest changes both in policy and in systems of account in the range of personnel, grouping, system of rates and classification, etc.

(b) The Federation is strongly of opinion that the contemplated increase of rates and freights to meet with the immediate

situation is more likely to lead to further deterioration in some cases. The Federation feels that until the finances of the Railways are put on a firm basis to the satisfaction of the Legislature, it would be most unwise to install the proposed Statutory Railway Authority which might lead to even more acute mismanagement of India's most valuable assets.

Sir, the Secretary has put the heading under this resolution as "Railway Finance", but you will find that practically it covers a vast number of subjects, and it would be impossible for me in a small period of time, which is usually allowed for such purposes, to deal with all the topics, which are really covered by the resolution. I am further deterred by the fact that there is a large number of speakers following me after I have finished. I shall, therefore, try to be as brief as possible and to do as much justice as could be done in the short period. I shall not try to weary you with long accounts and statistics, but, unfortunately, as it is a tale of financial woe, it would be necessary for us to concentrate ourselves for a minute on the main point, and briefly it is this. That, whereas in the year 1924/25, the working of the Indian Railways gave us a surplus of Rs. 13 crores, in the year 1933 it gave us a deficit of Rs. 10 crores. Subsequently, the deficit has diminished to between Rs. 4 and $4\frac{1}{2}$ crores. In other words, there is a deterioration of about Rs. 23 crores in the working of the Railways over the last twelve years. If we wanted to trace the manner and method of this deterioration, we would be anticipating the enquiry which we are suggesting. At the same time in order to make out a simple case for such an enquiry, you would permit me to mention some of the points, which, I think, will come to account for the bulk of this deterioration. I find, for example, that the capital at charge of the Railways in the year 1924/25 was Rs. 643 crores as against Rs. 795 crores in the year 1934/35, *i.e.*, more than Rs. 150 crores of new capital have been sunk, and all this is reflected in the increased amount of interest charges, which have to be paid, *viz.*, from Rs. 25 crores to Rs. 32 crores. About Rs. 8 to 9 crores of the deficit, or the deterioration, is accounted for by the increased charges on interest. And where was all this enormous amount of capital spent? Sir, the history of the working of the Railways in this country is full of those gigantic financial mistakes, which Government have made in other places, such as the Back Bay of

Bombay, or the Sukkur Barrage, or the New Delhi nearer home. But the mistake in the Railways has gone under a single heading. We have for example, the electrification of railways, a luxury, which this country could have done without and estimates, which have been put forward showing that it would be a very paying proposition, have all gone wrong. Government have now admitted some of these mistakes. When electrification takes place in Bombay, naturally Calcutta says they must have electrification also, as they cannot allow Bombay to go forward. And similarly when Madras is left behind, they say they also must have electrification.

Another great point, on which much capital has been spent, was on locomotives and wagons. If you will recollect, after the war, the suggestion went out that the exhausted capital assets of the Railways had to be renewed. Amongst these capital assets were locomotives and wagons. And it is a story, with which I am very familiar, as I spent nearly eight years of my life in an industry connected with wagons. What was that story? I wish I could tell you this at very great detail, perhaps at some other time. In 1919 when they decided that all those renewals should take place, they made up what was called the Rs. 150 crores programme. They appointed a Railway Finance Committee to determine how finance would be raised and disposed off. Then they appointed the Railway Industries Committee and gave us a definite pledge and undertaking that the bulk of the capital raised for this purpose would be spent in this country, and it would be spent in order to bring about and to put on their feet industries concerned, such as locomotives and wagons required by the railways. Promises were made. Concerns were allowed to come into existence. But when Mr. Lloyd George, who had corrupted British politics by the sale of titles, came into power in the United Kingdom, he asked, "what is this all nonsense? In England I have to deal with unemployment and you are trying to raise industries in India? This is all very stupid. Stop all that at once!" And the Government of India, a subordinate administration, stopped that, regardless of the ethical, moral, or legal obligations, which they had incurred with concerns. And not only did they stop the advancement of all such industries in this country, but they placed orders for locomotives and wagons in the United Kingdom. They further said: "Don't place piecemeal orders. In order to assist British industries, the best way of placing orders will be to collect your

requirements for ten years and to place the orders in lump." Therefore, where the Indian Government needed sixty locomotives, they placed an order for four hundred locomotives at a price of £16,000 per locomotive. But the orders were not executed till about five years later and when the goods reached this country, the actual price of the locomotive was £4,000. In other words, £12,000 per locomotive was handed over as a free gift to British industry in the name of efficient railway management in this country. How many crores of your money have been wasted like this? It would be, sir, a very tedious and a very painful story to recount but the British group as Mr. Das told us this morning, wants to write down railway capital, quite rightly. If you get a £4,000 locomotive and paid £16,000 for it you have a bloated capital and you must write down that %12,000 against which you have got no asset of any kind. That is an illustration of the direction in which some of this capital went.

Another thing was that the various Railway administrations were competing with one another. The B. N. Railway tried to divert traffic from the E. I Railway by all sorts of means, amongst which was the construction of a new branch railway, which may have helped the B. N. Railway as such, but which did not help the Railway administration as a whole. It meant that capital programme was covered and was advanced not by a single authority, but at the instance of individual railway administrations to suit their own railway system based on estimates, which on many occasions have become false. Nobody has challenged those estimates. But, if we had an enquiry, we would be able to demonstrate that in 60 per cent. of the cases, on which capital was sunk, the expenditure was either excessive or unnecessary, and the estimates have been falsified. We had, for example, the rivalry between the B. B. & C. I. and the G. I. P. Railway in reaching Delhi, and in order to save a few minutes—I was told that it was from 7 to 9 minutes—they undertook what is known as the Parsik tunnel at a cost of something like a crore of rupees. A crore of rupees went to increase your capital not capital assets, but capital debt. I could go on giving instances like these, giving a dozen more, but it would tire out the House as I have to cover very many other headings of this resolution.

I say that there is a large and visible deterioration in the working of the Railways, part of which is undoubtedly due to the increased interest charges to the tune of eight to nine crores of rupees per year, and the rest of it is due to increased expenditure in other directions. I have, through the courtesy of my friend, Mr. B. Das, a memorandum prepared by Mr. P. R. Rau, showing amongst other things that, whereas in 1913, before the war, the ratio of staff charges to the total expenditure was 40%, the same ratio in 1934/35 was 55%—a fact, which goes to prove that you have paid more to staff, you have increased your scale of expenditure, the number of people working and so on at a time and in a manner when your other incomings have not increased at the same rate. Well, gentlemen, the mistakes have been made by the Railway people in spite of several warnings from the business community. Our warnings have taken several forms. First of all, we have asked for Indianisation. We have pressed for the presence of Indian businessmen as members on the Railway Board, we have asked for Indian Agents, Indian Assistant and Deputy Agents. We have asked for Indians as heads of the Transport and Engineering sections. We have asked for Indians as heads of the Stores section. I assure you that all these requests have gone to the waste-paper basket. All the while that the R. T. C. was going on, all the while that the Simon Commission was working, all the while that England was talking with her tongue in her cheek of giving away genuine power and handing over a sound administration to Indians, we have been making these modest and business like requests to allow Indians to be associated with the Railway administration in larger numbers with the intention not merely of seeing our own countrymen getting the experience, but also of seeing whether some waste and extravagance carried on notoriously in the Railway Department could not be put right. I understand that the objection to Indianisation was so grave that even at a moment when the first Member of the Executive Council in the person of Sir Joseph Bhore had to be put in charge of the Railways—even though he was a member of the I. C. S.—there was considerable hesitation as to whether an Indian should be put at the head of the Railways at all. But, in spite of the presence of an Indian Member at the head of the Railways, our complaints continue and the denial of our requests is still just the same to-day as it was ten or twenty years ago.

Now there are other complaints that the Indian business community have made with regard to the working of the Railways. We have, for example, a grievance, which the President this morning very rightly reiterated, and that is the grievance with regard to the railway risk note. From the Indian Merchants' Chamber, where I hail from, we have been pressing year after year for a revision of the Railway Act, which would instill proper liability on the carrier as against the public and which will protect public rights. These rights are not protected in India properly, and to the same extent as in other countries, because the Railway Authority and the owners of the Railways have been the State. I say this, that even if it is the State, the public is entitled to and the business community is the most important of the public, which deals with the Railways—the fullest protection in law to the same extent to which such protection exists under the law in other countries and particularly in the law of the United Kingdom. We have all known that the Railways have been pressed into the service, in the past, of the foreign trade in this country. Railway rates have been fixed from port to port and with a view to help partly the railways, but largely the foreign importer and the foreign exporter. Industries located inland registered their complaints to the Railways, but such complaints were thrown into the waste-paper basket. There was discrimination. There was injustice done to Indian industries and when we made an enormous outcry, when we raised serious complaints about this, Government, instead of giving us a Rates Tribunal as we wanted it, have given us what is called Railway Rates Advisory Committee, a Committee, which they have subsequently used for filling up by giving jobs to party men, and which is dragging out its inglorious and useless existence even to-day. In other words when the business community said, "Either deal with our complaints, or you give us a machinery by which our complaints will reach the right quarter and will be examined in a fairminded manner, and an award given," what do the Government do? They do neither. Neither do they listen to your complaints, nor do they give you a proper Tribunal. Even to-day what is the situation about rates? There was a complaint, which Mr. Kasturbhai Lalbhai on your behalf very rightly voiced, that it was difficult for the business community even to receive the rates in a reasonable period of time whenever they ask for rates from Railway Companies and when such rates are not usual rates, where traffic was already moving. In other words, there have been delays.

There have been discourtesies. There have been many other things, which we would call unbusiness like handling of the Railways. We have asked for a Rates Tribunal for this purpose and we have directly and indirectly said that the railway rates policy should be a part of the larger economic policy of the country so that, whatever is done by Government in one Department, may not be undone by another Department of the Government.

Now, in this situation, take the larger issue, which my friend, Mr. Begraj Gupta, very rightly put this morning before this House. What he said was that, since Government is talking, on the one hand, of the lifting of the depression and of the signs on the horizon, and of various other things, which they notice, by which prosperity is returning to this country, yet all the while they are talking of prosperity coming to this country, there is the visible deterioration of railway earnings, a thing, which, as he rightly said, directly reflects the condition of the trade. This is a practical pointer, from which you cannot get away. I myself in a speech in Bombay said that this was the first sign of the nemesis. You have mismanaged the economic policy of this country and you will find in one form or another nemesis is coming in, and the first sign of the nemesis is the deterioration of your Railway finance. In this condition what do we find? The Hon'ble Commerce Member, while introducing the last budget, admitted this and I congratulate him. On that occasion he admitted that world conditions had a direct effect on Railway earnings, and he looked for a rise in prices of primary products. Whenever prices of agricultural commodities were high, movement was brisk and there was greater volume, and all-round Railways' earnings had increased. I am very glad that he has made that admission, and yet taking one step further, he would have found out that prices depend on exchange and monetary conditions, which you have mismanaged and on which you have ignored all our warnings, and it is in your hands to put this right. If he agrees with us, then I don't know whether the Commerce Member will ask us to tell this to the Finance Member, who would like every enterprise in this country to be destroyed, if he had his will. I think the Finance Member is a survival of the East India Company's days. He has stepped into India only one hundred years later than he should have. Anyway you cannot deal with the Railway finances isolated from the general finances, and the moment you want to put right the finances of India, you will have to tackle

the larger problem of the monetary standard and the exchange value in this country and their effect on agricultural prices. Now, instead of going so far, what do we find the Railway Member doing? What he proposes is that, he will try to put right the deficits in the Railways earning into Rs. 5 crores, by enhanceing rates and freights. He himself estimates that, by such an enhancement of rates and freights, he will get something like one crore of rupees. This is a very inadequate solution for the purpose, and in our opinion this will have an exactly contrary effect, because, as it is, when prices are low and the rates and freights are the same, railway freight constitutes to-day a very much bigger percentage of the total value than it used to before. And if you increase the railway freights still further, there are many directions, in which you are killing trade and movement altogether. We are entitled to express our apprehension that the step taken by Government is in the wrong direction and that actually when they are trying to increase revenue and to make up deficits by raising rates and freights, they would be not serving their own purpose, but, on the contrary, they would be inflicting a serious injury on the commercial interests of this country as well as on the agricultural interests, in whose behalf we hear very loud outcries from the front Treasury benches in the Assembly, and in whose behalf the elementary things, which we are suggesting, *viz.*, putting right the exchange value and taking active steps for raising the prices of agricultural commodities, are not being done.

Now, Sir, the last point, which I wish to make in this resolution, is, I am afraid, a political point. But I must mention before making that point, that this is an assembly of business men. We are not here to make political capital out of the mistakes of the Railway Department. Our concern as businessmen is that, an asset, in which Rs. 800 crores of this country's money has been invested, should be managed in a business like manner and it should be managed in such a manner that it will help the general economic life of this country and that the Railways should not be worked in isolation, but should be worked as part of the general machinery, advancing the interests of the country. All the same if I wanted to make political capital, I would say that this Railway administration, which is practically untouched by Indian hands at the top and which has been managed by white people for all these years, is showing disastrous results, from which, I do not think

that the steps put forward by the Commerce Member are going to retrieve the position. He himself says in so many words that it is a terribly serious position. I say it raises a position so serious, that more radical steps are wanted than what he proposes himself. We want that its management and its concern should not be allowed to run away in future, as it has run away in the past from Indian opinion, irresponsive to Indian calls, Indian desires and Indian conditions. I say that we should resist, as a Federation to the best of our skill and ability, the institution of that Statutory Railway Authority, which is nothing but a device to take away the Railway management from popular control and the influence of public opinion. It has been suggested that the Railways should be managed free from political influence. Whose political influence, I ask? Indian or English? Because the English political influence has always acted on our Railways in the past and it has been instrumental in bringing about now the miserable results we are contemplating to-day; all that we ask, sir, is a modest request, that Government should have the financial conditions of the Railways carefully examined and should take serious steps to put the present financial position right and, until that is not done, they should drop all idea and all talk of the question of a Statutory Railway Authority, which, I repeat, is a device to take our Railways belonging to this country from the direct purview and supervision of the best men of our country, who will be associated in future with the administration. It is proposed to attempt to make the Railways a reserved subject and hand them over to an authority, which will be supposed to manage it on commercial lines. I ask, Sir, whether they claim that the Railways in the past have been managed on commercial lines, because, if they had been so managed, I do not think they would be in the condition in which they find themselves to-day. Our accusation from the business community is that, you have deliberately gone and mismanaged our Railways and that is why you are suffering. At least associate Indians with it and then let us manage our own affairs. Don't try to make it (as my friend, Mr. Jagmonhandas Kapadia said in another instance) as a milch-cow for British interests drectly or indirectly.

I now commend this resolution for your acceptance.

President: Gentlemen, before I call upon Mr. Gandhi to second the Resolution, I have to announce that an invitation has been extended to the Members of the Federation by the Trustees

of the late Lala Diwan Chand to attend the opening ceremony of the Political Information Bureau which will be performed by the Honourable Sir Abdur Rahim this evening at 6 P.M. at New Delhi. It was not possible for the office to issue the invitation to the members individually, and therefore this announcement is made, and I hope, gentlemen, you will all attend the opening ceremony.

I will now call upon Mr. Gandhi to second the Resolution.

Mr. Ratilal Mulji Gandhi, (Seeds Traders Association, Bombay): in supporting the resolution said:—

Mr. President and Brother Delegates,

I stand here to second the resolution so ably moved by my friend Mr. Manu Subedar. I agree with Mr. Manu Subedar in his opening remarks that the more appropriate heading of this resolution would have been Railway Administration rather than Railway Finance, because the subject matter of the resolution covers many issues over and above that of the Railway Finance. Sir, in the very informative speech of Mr. Manu Subedar, he has dealt with the subject as an expert economist and has given you certain figures in regard especially to certain charges. I do not claim to be an economist, and so I propose to offer a few remarks from the point of view of a general trader. Sir, we all know that the Railway Budgets presented to us during the past few years have been showing great deficits. Every year, the Government member in charge has to draw a gloomy picture and has to tell a sad tale in regard to Railway Budget. In order to support what I say, I may refer you to the speech made by the Railway members while presenting the Railway budgets for the years 1935-36 and 1936-37 to the Legislative Assembly. Sir, I consider that these remarks are very important, and I do not think I shall be wasting the time of the House if I quote the relevant portions from their speeches. While introducing the last Budget the Railway Member said:—

> "Railways are our big national asset, and in view of the situation in which we find ourselves and also having regard to the impending changes in the Railway Administration, namely, the handing over of the administration of our railways to the Federal railway authority, I seek the indulgence of the House in endeavouring a brief review of the railway finances

for the purposes for the past few years say from the date of seperation of railway finances from general finances to discover if possible the factors which have contributed to placing us in our present unenviable position..... I propose to take for this review the years from 1924-25 to 1934-35 and so forth."

Sir, my purpose in reading out this passage is to show that it is admitted by the Railway Member that the position of the railway finances is unenviable, and if I may use the word of the Resolution, it is deplorable. Thus it is admitted on all sides by the general public as well as by the authorities concerned that the state of affairs in the railway administration is a matter which causes grave anxiety and concern to the general public and to the trade and commerce of the country in particular. Sir, the condition as we find it in the railway finances is much more deplorable in view of the fact that the state of affairs deplored by us in this resolution is allowed to exist inspite of grave warnings given in the form of representations and protests on the part of the commercial bodies as well as the general public. It is stated in the portions which I have just quoted that there is something wrong somewhere, and we must find out some remedy, but the remedy the Railways are suggesting and the ways they propose to adopt are, I think, not at all proper, as has been proved by Mr. Manu Subedar, and they are not calculated to lead us to the right path. Sir, if I may give a picture of the whole situation, it is this: that while on the one hand there is a general complaint with regard to the various aspects of the Railway Administration and Finance, on the other hand we find that there is a sort of carelessness and negligence on the part of the Railway Administration. The whole position can be compared to the saying that Nero is fiddling when Rome is burning.

Sir, the causes of recurring budget deficits are very many, over some of which, I think, the Railway Administration has control, while over other they have none. Let us admit that the effects of the World Depression and such other causes as are given by the Railway Administration are leading to a falling off in the earnings of the Railway Finances. May I, however, ask if the railway administrations have exhausted all the measures of retrenchment and all the means of economy? May I further ask whether the railway administrations have done all in their power to stem the tide of recurring budget deficits. I think, Sir, the answer will be

in the negative. Sir, it is very strange and very surprising that the best brains that are controlling the railway administration are ignoring the very common and simple rule which is followed by every man of common sense, and it is that every businessman will look to both sides, to earnings as well as expenditure but in the case of the railway administration we find, and it has been amply proved by Mr. Manu Subedar, that they are altogether ignoring the side of expenses; and that is the chief complaint that we have to make against the present railway administrations. Sir, I think I am perfectly justified in saying that there are various acts of ommission and commission on the part of the Railway authorities that are contributing to the present sorry state of affairs. Without attempting to take any more time of the House, I shall try to enumerate some of these acts of ommission and commission. Railways have not shown so far the necessary imagination and forethought in formulating a policy which will bring in more traffic, both passenger and goods. They have not shaken off the Hidebound traditions and methods of expenditure; they have not implemented most of the well considered recommendations of the Acworth Committee, the Inchcape Committee and the Pope Committee. They have been responsible for illconceived capital expenditure, and I think Mr. Manu Subedar has given us sufficient examples about these illconceived plans of capital expenditure incurred without due regard to the recurring burden of interest charges. They have restored the salary cuts before the restoration of normal conditions; they have carried out the recommendations of the Lee Commission inspite of the public opposition. All these things, dones and undones, are being put into effect by the railway authorities in the teeth of popular opposition.

Under the circumstances, I do not understand why the Government should not examine the whole question of railway finances very critically and very thoroughly. In my opinion, a *prima facie* case has been established for the appointment of a committee to go into the question of railway finances and railway administration in general. This examination must be comprehensive and the enquiry must be conducted by Indian business representatives and financiers. There are very many points.

President: There are many gentlemen to speak on this resolution and will you please bring your remarks to a close?

Mr. R. M. Gandhi: I would not like to take up much of the time of the House, this warning is quite sufficient. I think you will allow me to say a word in regard to the contemplated increase in rates and fares. If I may put it, it is like killing a goose that lays golden eggs. It is really going the wrong way to have recourse to this method instead of carrying out strict and stringent economies in the railway administration. The impending constitutional changes and the consequent financial adjustment that will be necessary in the Federal Government of India make it incumbent that a very clear and close examination of the financial condition of the railway finances should be undertaken early. Before the Statutory Railway Authority is installed, the whole question of railway finances and railway administration should be examined thoroughly and critically to avoid a worse mismanagement and mishandling of our Railways, which, if not averted would be a national calamity. The Railways are our biggest national asset and the most important commercial undertaking. With these words I second the resolution. *(Applause).*

Mr. K. Basu, (Indian Mining Federation, Calcutta) said: MR. PRESIDENT AND GENTLEMEN,

It is with great pleasure that I rise to support the resolution so ably moved by Mr. Manu Subedar. Sir, this is going to be the sixth year of deficit of the Railway Budget, and if worse does not happen then the estimated deficit of this year is likely to be Rs. 3·44 Crores. Of course, for this deficit the strategic lines would be responsible for Rs. 2 Crores. Though on more than one occasion it has been urged by the commercial community that the loss on strategic lines should be borne by the military department if the Indian Railway system is to be considered as a commercial proportion but with no result. Sir, the Indian Commercial community has been persistently pressing for rigid economy in the matter of management of Railways but the Government inspite of fall in the receipts, have been consistently increasing the expenditure; otherwise what explanation can be given for the restoration of the cuts on the salary. It is said that the fall in the income of the Railways has begun from the year 1930-31, and one of the causes of this dwindling income of the Railways is the drop in commodity prices. That there has been a precipitous fall in the prices would be evident from the fact that whereas the index number of wholesale prices of all commodities in 1930 was 116 to-day it is only 92,

And a fall of 24 points is not a matter of joke as this is to a great extent responsible for reducing the earnings of the Railways from the annual average of rupees 101¼ Crores to Rs. 88½ Crores. But what steps have the Government taken to meet the situation? Nothing in the right direction. On the other hand the steps which the Government have taken to increase the earnings of the Railways instead of improving the position, have made it worse. I find that whenever there is any fall in the receipts under the head of any commodity they at once raise the freight rates though for this fall the original freight charge may be actually responsible. As a matter of fact I am confident that during these years of depression if the Government had reduced the freight charges on all commodities according to the fall in the prices of the respective commodities the income would have certainly been augmented. Of course, it may be argued by the Government that at the time of reducing the rates they ought to take into consideration whether the revised rates would bring in sufficient income to cover the cost of haulage. In this regard, Sir, I would like to say a few words. If you refer to Statistical Table No. 15 of the Volume II of the Railway Board Report on the Indian Railways you would find that in arriving at the figure of cost of haulage per ton per mile the Railways add up to the actual cost of haulage interest on capital expended on open line at the rate of 4½% per annum. But I ask you, Sir, when money rate is so low what justification there is for charging the rate of interest at 4½%. If this interest be reduced even by 1% then you at once reduce the cost of haulage of all the State-owned Railways by about 8 Crores, which means that by taking this step you can easily make a reduction in the freight rates. As a matter of fact before the year 1933-34 the Railways used to add up this interest not at the rate of 4½% as is the case at present but at the rate of 5½%. But when this fact was brought to the notice of the Railway authorities by the Indian Mining Federation the body which I have the privilege to represent here, the authorities made a reduction of 1%. And what is the result? In 1932-33 the average cost of haulage for one ton for one mile including the 5½% interest on the E. I. Railway was 4·31 pies but in 1933-34 when this rate of interest was reduced by 1% it was 3·86. Let me give another instance. On the G. I. P. Railway this cost in 1932-33 was 6·80 pies but in 1933-34 it was only 5·94 pies, practically a difference of a pie which is not insignificant. I would, therefore, urge on the Government to immediately reduce the interest at least to 3% which

if done, would afford them ample opportunity to make a general reduction in freight rates—a reduction which is sure to increase the income of the Railways. Then again, Sir, I find that the Railways are required to pay interest to the tune of Rs. 31·37 Crores. Sir, if out of an income of Rs. 91·25 Crores, the estimate for the year 1936-37 more than one third is to be paid in the shape of interest how the Railways can be expected to make profit. What surprises me in this connection is that when the money is so cheap the Government instead of taking advantage of it by making conversions of Railway Loans are paying 1/3 of the Railway gross earnings in the shape of interest. Certainly the Government can pay out some of the loans about which there is no fixed date by borrowing from the market at the cheaper rate. Then again, Sir, there is the question of amalgamation of certain Railway systems. It is true that at present it is not possible to amalgamate the B. B. & C. I., B. N. Railways and other company-managed lines with the different State-managed lines, with a view to effect economy in the administration charges. But what difficulty can there be to amalgamate the E. B. Railway with the E. I. Railway which is sure to result in economy in administration expenses. It may be said that the savings may be small in this direction but when to have an increased income the Government did not hesitate for a moment to impose a Surcharge on the coal freight knowing full well that the industry was least in a position to bear any additional burden. A saving of a few lakhs by amalgamating these two Railways should not be ignored by the Government. Sir, before I conclude I would also request you to press for the introduction of through rates on continuous mileage so that mercantile commodity may derive full benefit of the telescopic rate system, and to so revise the general classification of goods that there might not be any necessity for quoting station to station or special rates by the Railway Administrations as the latter is also to a great extent responsible for the loss of revenues to the Railways. With these few words, Sir, I heartily support the resolution.

Mr. H. G. Misra, (Merchants Chamber of the United Provinces): said: Mr. President, and Fellow-Delegates, I rise to support the resolution which has been moved by Mr. Subedar. After the fluent and precise manner in which Mr. Subedar has dealt with the subject, it is hardly necessary for me to stand before you. The subject of railway finance is, however, so wide in its scope

and so complex in its nature that when apparently all has been said about it, there can still be said something more on the question. Mr. Subedar has pointed out, the connection between the railway finance and the general finance of the country is so closely interwoven with each other, that it is practically impossible to deal with the one and ignore the other. For this reason, it is rather important that the commercial community in particular should take a lively interest in all that concerns the railways. Let me, therefore, give you a picture of what the position of railways is.

To understand the precise position of the railways in India, a little knowledge of how the railways came into existence and through what ramifications they had to pass at various stages of their development is essential. The railways in India were constructed originally for reasons of military, and it was only after the famous minute of Lord Dalhousie who pointed out the various advantages of railways from the economic and social point of view that the construction of railways was undertaken in right earnest. In order to attract capital from the public of Great Britain, the State gave a guarantee of the return of five per cent. on the capital invested, and the railway companies were started under a system of guarantee. After the year 1869, however, Government tried to provide funds for the construction of railways themselves. But towards the end of 1880 they again took resort to the system of guarantee, this time reducing the rate of interest to $3\frac{1}{2}$ per cent. We all know that there were other methods open to the Government to procure funds at cheaper rates, but these I need not relate here. The position at present is that most of the railways are State-owned railways to-day. Some of them are directly managed by the Government, while there are others which are still managed by the companies with their head offices in London. The settled policy of the State is to acquire control of the management of railways and that is a step in the right direction as suggested by the Indian Railways Committee precided over by the late Sir William Acworth. In pursuance of this policy a number of railways are already functioning under the management of the State and there are a number of railway companies whose agreements expire in the year 1937, 1941, 1945 and 1950. Let me point out that the particular railway whose agreement expires in the year 1937 should in accordance with the terms of the agreement be given notice before the end of December 1936. It is rumoured that the Government of

India are wavering on this point and are trying to make out a case for not giving notice to this company concerned. The Federation has always stood for the principle of railways being managed by the State and any deviation from this principle will cause hardship to the financial position of the country. Let me point out that up to the year 1898 the total deficits of railways amounted to nearly 58 crores of rupees and all these deficits were met from the general revenues of the country. Afterwards for a number of years the railways paid their way and also made contributions to the general funds of the country. The Indian Railways were regarded as a commercial undertaking by the Government of India only during the last two or three decades and their contribution to the general funds seems to have been based on the idea that since the losses of earlier years were borne by the taxpayer the gains of later years should also be reimbursed proportionately, otherwise there seems to be no reason why the total gains should not have been applied entirely towards the reduction of charges for service and towards widening the scope and efficiency of service. The importance of railway to the country becomes at once patent when it is realised that a huge capital of Rs. 800 crores is invested in them. The interest charges on this capital amount to nearly 33 crores of rupees every year. They employ a very large number of people and can give impetus to the development of industries in general and to such industries as coal, iron and steel in particular. By their rates policy they can do much to foster the growth of indigenous industries in the country. Judging from the importance of railway freight from this point of view, we come to the conclusion that, in the interest of the country, the administration of the railways should be carried on on strict business lines. To our great misfortune however it is not so. If you look at the budget figures for the last six years you find a heavy deficit of nearly 48 crores of rupees. In the past all these deficits have been met by loans from depreciation fund but this depreciation fund at the end of the year 1936-37 will stand at a very low figure of 9 crores of rupees. The railways have made no contribution to the general funds of the country since the year 1931. The reserve fund has been exhausted and the railways are now a burden on the finances of the country. Such is the stage to which the railway finances have been reduced. The question is what are the causes which have brought the railway finances to this condition and what are the remedies by which the position can be alleviated. In answering these questions, I cannot

do better than refer to the speech of the Honourable Member for Railways. Sir, I have a great personal regard for the Honourable Member for Railways. I have had occasion to go to him with the troubles of my industry and the patient and sincere manner in which he has given me a hearing has left an impression on my mind that 'Here is a man who has the country's interest at heart'. If therefore I point out certain fallacies in his speech, I do so not for want of respect towards him. The Honourable Member for Railways points out that the chief reason for the deterioration in the position is trade depression and than goes on to suggest the increase in rates and fares. I, for one, cannot reconcile these two facts. If trade depression is responsible for the deterioration then the only natural conclusion to which any sensible person can arrive is that the situation can be alleviated only by improving trade. I ask now whether it is possible to alleviate the situation by putting additional burdens on trade. That is not the method. If you carefully examine the position, it will be found that the chief reasons why the position has deteriorated is of an internal nature. Let me give you an example of how the internal affairs have affected the finances. Take the case of the strategic railways. They are utilised mainly for military purposes and they are incurring heavy losses of nearly two crores of rupees every year. Now all these losses are being erroneously debited to the railway budget instead of being debited to military and to make this an excuse for increasing the rates and fares is a most unfair way of treating industries.

President: Please bring your remarks to a close now.

Mr. Misra: I have been asked to conclude my remarks and in doing so I want to say if my voice will reach the Government of India that if they put more burdens on industry, they will only be flogging a dead horse. We have come to a position when unless you put things in a proper order on business lines, the day will not be far when you will undermine the very foundation walls of the financial superstructure of the country. With these words, Sir I support the resolution.

Mr. Mohanlal A. Parikh, (Bombay Shroff Association): further supporting said:

I have great pleasure in supporting this resolution.

Gentlemen, I will only offer one concrete suggestion for bringing about a wholesome reorientation in the freight policy of the rail-

ways. I feel that the commercial community has not pursued the subject of the revision of the freight and rates policy of the railways with that zeal and vigour which they have shown in regard to problems of exchange and tariffs, as affecting the economic conditions of the country. The Railways hold a very important place in the national economy of the country and their freight policy has a vital bearing on the agricultural, economic and industrial interests of the country. In view of such vital issues at stake, it is necessary to bring pressure upon the railways to change their freight policy through a country wide campaign. For this "Railway freight and rate revision leagues" should be started just as currency leagues were started anent the question of the rupee ratio. Unless some such action is taken, I do not think paper resolution will have much effect. I commend this suggestion for what it is worth.

The Resolution was carried unanimously.

President: It is now 5/15 P.M. We have to hold another meeting of the International Chamber of Commerce. I am adjourning the Federation Proceedings till 11 A.M. tomorrow.

SECOND DAY'S PROCEEDINGS.

Sunday, 5th April 1936.

The Annual Session of the Federation commenced its sittings at the University Convocation Hall, Delhi, at 11-20 A.M. on Sunday, 5th April 1936, Lala Padampat Singhania presiding.

President: The following resolution is to be moved from the Chair:

STATE MANAGEMENT OF INDIAN RAILWAYS

"This Federation endorses the Resolution of the Indian Legislative Assembly of 1923 with regard to the State management of Indian railways and requests Government to take steps for the State management of the M. S. M. and B. N. W. Railways at the forthcoming termination of Agreement with the respective companies and to proceed directly to the regrouping of railways with a view to effect economies and ensure cheaper and speedier transport".

The Resolution was adopted unanimously.

President: The ballot papers will now be distributed to the Delegates.

The ballot papers were then distributed.

President: Members who have not taken their voting papers will kindly come to the table and take them; voting papers should be deposited by 1 P.M.

We will now take up resolution No. 10.

Mr. Shantilal Mangaldas, (Ahmedabad Mill-owner's Association):

MR. PRESIDENT & GENTLEMEN,

I have great pleasure in moving the following resolution for your careful consideration and adoption.

IMPORT DUTIES ON DYE-STUFFS AND SODIUM SULPHITES

In order to ensure adequate protection and facilities for the growth of Indian industry in general and the Indian textile industry in particular, this Federation strongly urges upon the Government to remove, or, at any rate, to effect a substantial reduction in the import duties on dye-stuffs and sodium sulphites.

Gentlemen, in support of the resolution, I have to point out that the textile industry is most affected by these import duties. This will be borne out by the fact that Bombay Presidency is the largest consuming centre of dyes, her share in the total imports being about 74% and this is so, obviously, because it is the largest textile area in India. These duties are hindering the progress of the industry in an important section of cotton textiles, *viz.*, dyed and printed goods.

As it is known to us all, the textile industry is at present passing through a critical and anxious period. You might also be aware of the fact that in recent years the textile mills have made no or negligible profits; some mills have actually been scrapped and many are looking round for something to turn up to relieve the present high-pitched tension. Believe me, Sir, these are not theoretical statements but are facts which emerge from every-day experience. Nevertheless, I may say that the industry is making a heroic endeavour to wade through the catastrophic period, made more ominous by factors such as foreign competition, etc. And I have hopes that if the industry is given adequate relief and protection to which it is legitimately entitled, it will, in due course, tide over the storm. The removal of these import duties will be a measure of relief to which the industry is most entitled and which could easily be afforded.

I shall in the first instance, deal with the import duties on dyestuffs. In the year 1932-33 *i.e.*, after these duties were re-imposed in 1931, as an emergency measure, India imported 129 Lakhs lbs. of dyes. As against this, in 1935-36, on the basis of 11 months figures which are available, the total imports will be about 206 lakhs lbs. This would give some indication of the growth of these imports and this is so because the mills are at present concentrating on dyed and fancy goods with the change in the nature of demand. As is well known, duty on anniline dyes was 15% *ad valorem* in 1922. As a result of the recommendation of the Tariff Board Textile Enquiry in 1927 the duty was abolished in 1927. This relief was very much appreciated by the industry. But unfortunately in 1931 owing to great financial stringency a duty of 10% *ad valorem* was re-imposed in the emergency budget. This was a sort of a bolt from the blue but the industry readily responded to the emergency looking to the temporary nature of the entire budget. These duties are however still continuing. It may here be pointed out that the

estimated revenue from this source to Government was about Rs. 18 lakhs in 1931 whereas they are deriving a revenue of about Rs. 35 lakhs in 1935-36. In view of the fact that the Government have surplus budgets for the last three years and looking to the every-day deteriorating condition of the industry, the industry calls for every available relief from Government.

The second portion of the resolution relates to import duties on sodium hydro-sulphites. To some this commodity may be a new thing. I may mention that it is a very important reducing agent which must be used with a very large range of vat dyes in the process of dyeing fast to bleach colours. In recent years there has been a great rise in the imports of this chemical along with the increased imports of dye stuffs.

It may be mentioned that this chemical would have been included in the free list of stores but for an unfortunate circumstance that the Noyce Tariff Board recommended in general terms "that it was unnecessary to-day to grant more than the concession on those stores which are used on an appreciable scale". Now, it so happened that during that period the use of fast dyes had not developed to the present scale and sodium hydro sulphites consequently was imported in smaller quantity. Now however, the import of this chemical which was only 400 tons in those days has gone upto 1,500 in 1934 and 1,800 tons in 1935. The position, therefore, is that a very important commodity which if it were used in large quantity in 1927 would have been exempted long ago, is, at the moment, paying a duty of 20 and 30% according to the country of origin.

These facts, I am sure, are enough to show the inequity of the import duties and I urge upon you to adopt the resolution unanimously in order to impress upon the Government of India the urgency to remove the same at the earliest opportunity. With these words, I again commend the resolution for your consideration.

Mr. Ram Ratan Gupta, (Cawnpore Kapra Committee):

The resolution moved by my friend, Mr. Shantilal Mangaldas, is of an important nature specially because it reveals so many hidden mystries connected with the highly acclaimed protection granted to the Cotton Industry and so bitterly protested by Lancasire.

Sir, the mover of the resolution has correctly explained how every effort is being made to frustrate the advantage of the protection,

(*a*) At the outset though the protection has been given but when considered from the point of view of prohibitive tariff barriers against all the constituent raw material, required in every stage of process of this industry, the effect of protection is more than nullified.

(*b*) In brief, sir, leaving aside only stapple cotton and labour, this industry has to pay heavy duties on most of all the other requirements of this industry starting from machinery. The result is that inspite of protection the industry has to struggle hard for its existence.

Just one example of Bombay since the internal markets are encroached by the local mills, Bombay mills find it impossible to compete with this inspite of a fact that Bombay has got most skilled labour and efficient staff.

In the circumstances if the favourable opportunity would have been provided, was it difficult for them to capture nearer overseas markets which are so numerous? (*A*) But it is due to the heavy cost of production on account of the heavy prices of raw material that Indian industry is incapable of competition in any other market except in India. (*B*) Was it not the duty of the Government of India to come to rescue of such a huge industry in which tens of crores of rupees of nation were blocked. (*C*) The result is that the ruin of Bombay industry brought with it disbelief of investors in industrial projects; hence any scheme of progressive industrialisation has to starve for want of money.

Now, Sir, turning to the branch of industry this resolution directly affects, that is, dyed goods, only a mere illustration will suffice that while Japan could not export piece-goods to the full limit of quota. She more than surpassed the quota limit in dyed goods. In the same way out of the total Imports from Lancashire 70 to 80% are composed of dyed goods. Why is it so:—

(*a*) Can any body make bold to say India lacks skill for producing these goods? I emphatically say no. It is only due to the fact that we have to pay a heavy duty amounting upto 33% on all the dye stuffs and on sodium sulphite required for the process of dyes. Hence it becomes impossible as to compete in this line. Is there a single example on earth where there is such

heavy duty against import of dyes except where the country produces itself?

(*b*) Sir, owing to the fact that India by tradition is a lover of coloured goods and also because of the poverty, people find it impossible to afford quick changes and daily wash. In effect it provides a short of relief to the poor consumer in this respect.

(*c*) Specially in the circumstances when the industry is being threatened with over-production and the producers, profit has dwindled down to zero, a sign which threatens the industry with collapse. It is of paramount importance that it must capture this time also if its existence is to be insured.

Sir, I am alive to the fact that whenever any popular demand is made the opposition always comes forward with the same plea of consumers interest or loss to the treasury:—

(*a*) And so I shall like to make it clear sir, that there can't be any better well wisher of the consumers than the manufacturer whose whole success depends upon the good will and the purchasing power of the consumer.

(*b*) And so, Sir, I would like to know if any body can prove that the protection and help given to this Industry has, in any way, resulted in contrary to the interest of the consumers. I shall be the first man to preach its abolition.

(*c*) But Sir the facts are contrary, not only this industry has fulfilled all the conditions necessary for protection, has provided employment to lakhs and has been a source of earning to millions in the form of cotton growing. This industry is responsible for creating a wider out-look of industrialisation in this country and has resulted in providing people 50% cheaper cloth than they had to pay before for imported ones.

(*d*) I also want to make it clear that this industry has become now so deeply rooted in every branch of economic life of country that any effort to harm it may upset the whole economic structure of the country and

is bound to be resisted by the Indian producers and consumers both.

(*e*) Regarding other argument of loss to treasury, if we judge from purely national point of view the advantages are so numerous and so obvious and effect so promising that such losses if at all worth considering will be 100 times compensated by so many other benefits.

Sir, I have already taken longer time than was allotted to me and so I will close with the remark that if the Government feels least responsible to hear the popular voice there is no other course but to act without the least delay according to the suggestion of this house. With these words I support the resolution.

Mr. Nandas Haridas, (Ahmedabad Mill-owners Association):

MR. PRESIDENT AND BROTHER DELEGATES,

The case for removal of the import duties on dye stuffs and hydro sulphites has been ably placed before you by previous speakers. Besides, the facts and figures are eloquent in themselves and self explanatory. I therefore consider it unnecessary to dwell on the different aspects of the matter at great length. Your attention has already been drawn to the present condition of the textile industry. I may add that any relief, however small, would be very much appreciated indeed. A stitch in time saves nine is an old adage and if there was any such time when the textile industry needed a stitch it is this moment. Any releif to the industry at this juncture would be enhanced in value. And it is most opportune to ask for the relief because there has been surpluses in the budget of the Government of India since the last 3 years and even the cut in the salaries of Government servants has been restored, and it is right that we expect the removal of the duties.

I may add that dye stuffs are not only used by the mills but also by hand-printers for printing their cloth. These duties have retarded the progress of the mill-industry and the hand-printers and as a result imports of these classes of goods from foreign countries have increased considerably during the last five years. These facts were placed before the Government of India by the Mill-owners Association Ahmedabad. They show that the total imports

of coloured and printed goods which were 295 million yards in 1930 rose to 333 million yards in 1934 and about 400 million yards in 1935. As a result of this influx of foreign imports both mill industry and the hand printers had to face a very keen competition. The burden of these import duties can be measured from the fact that the incidence of duty at the rate of 10% some times comes to so much as 3 to 4 rupees per lb when calculated on costly colours costing Rs. 30 to Rs. 40 per lb.

Lastly, I may add that the President of the Bombay Millowners Association recently made reference to these duties and has severely complained against the same.

In view of all these among other considerations I beg to support this resolution and I have every hope it will receive your unanimous support.

The resolution was unanimously adopted.

President: Resolution No. 13 is to be moved from the Chair. It runs as follows:—

CONSTITUTION OF PORT TRUSTS

The Federation views with serious concern the present working policy of Port Trust Administrations in India in regard to

(1) Indianisation of Higher Port Trust Services;
(2) Port Trust charges
(3) Purchase of stores; and
(4) General administration;

and is of opinion that the grievances in above respects would never diaappear as long as there is a statutory Indian minority on the Boards of the Port Trusts. The Federation, therefore, emphatically urges upon the Government the vital necessity of ammending the constitutions of the Port Trust Boards in India so as to provide for statutory Indian majority on the Boards to enable them to carry on their administrations in the best interest of the country.

The resolution was adopted unanimously.

President: Resolution No. 14 is also to be moved from the Chair. It runs as follows:—

OPERATIONS OF NON-INDIAN INDUSTRIAL CONCERNS

The Federation desire to impress upon the Government the necessity of collection and publication of complete statistics and data in regard to the capital, production, growth and methods of com-

petition of non-Indian industrial enterprises and concerns operating in India to enable the country to comprehend the problems relating to the establishment and growth of non-Indian concerns behind tarriff wall.

The resolution was adopted unanimously.

Mr. R. K. Sidhwa: I beg to move the following resolution:—

TREATMENT OF INDIANS ABROAD

The Federation views with apprehension the lukewarm attitude of the Government of India in regard to anti-Indian laws passed in foreign countries and British Colonies—the most recent cases being those of the Government of Zanzibar and Iraq. The Federation wishes to point out the extreme desirablity of taking effective steps of protecting and safeguarding Indian nationals and their interests abroad, and in case, any such discriminatory laws are passed by any foreign Government, the Government of India should immediately retaliate.

Sir, the question of treatment of Indian nationals abroad has become so acute that unless the Government take some drastic action it is bound to worsen every day. We are asked to call ourselves British subjects, and still when we go to their own country or to the colonies in the British Empire these very British people and the British Government treat us most disgracefully. If so, would it be surprising if in foreign countries the foreign Governments were to treat us worse than the British Government. Whether we go for education, or for business, say, for opening a bank, we are asked to comply with certain conditions and restrictions. If we want to open an insurance company we are to put in a certain amount of deposit which is beyond the capacity of even a well-known company in India. If an Indian goes to serve there, he is asked to execute an agreement which will only breed a slavish mentality. We are confronted with this state of affairs abroad, and there is no difference of opnion in India on this issue. All schools of thought are united. Even the Govenrment of India have shown their sympathy in the treatment that is being meted out to Indians abroad. For the last 20 years this question has been receiving the consideration of the Government and they are making representations times without number, but without any material success. What is the reason? The reason is obvious. The Government of India has adopted an attitude of merely making representa-

tions and these representations are sent to the waste paper baskets of the foreign Governments, because they know very well that they will not have any effect unless they are put into action. I fail to understand why the Government of India refuse to take any retaliatory measures against the Governments of those countries who impose certain disgraceful and shameful restrictions against Indians. So long as this Government is alien, so long as their heart is not changed—they may have any amount of sympathy, but so long as they do not change their heart and put their representations and their words into action, it is doubtful whether any effective and material result will ever come. We Indians are known for our hospitality. Whether it is a Frenchman, or a German, or an Italian, or an American, or an Egyptian, or an Afghan,—anybody who comes to India we treat with the utmost hospitality. ' Not that we take pride in it but what we resent, what we hate is that we only are made an exception in foreign countries when we go there. Any Tom, Dick or Harry, in public street say, from Germany or continent coming out to India walks like a mighty lord here, as if he has come to rule over us. That is what we resent, and Hitler, the Dictator of Germany, has the audacity and the effrontery to insult our intelligence, our capacity, and our ability to grow into a united nation. He says that the black man will be ruled by the white man in this country. When a gentleman from Leipzig where a fair of all countries is arranged, came to Karachi, this statement was quoted to him. He showed absolute ignorance and he said that Herr Hitler would not make such a statement. He said that he would make enquiries, and if possible, he would have it corrected. That gentleman had come for canvassing business and therefore he had to speak in that strain to the commercial people whom he wanted to meet in order to exchange views on the subject of commerce. Three months have passed since Hitler made that statement and no correction has come forth. The whole issue is, as I have said, that the Government of India should take drastic measures and frame laws whereby any foreigner who comes out to India would be subject to the same conditions as our people are in those countries, and in a very short time the treatment that is being meted out to us will be wiped out. Last year in this very hall we represented a series of grievances against the Mozambique Government, a Portuguese colony. They have imposed very harsh conditions upon Indians. If an Indian goes to trade in Mozambique, he will have compulsorily to engage two Mozambique people. This year the

Iraq Government have issued a proclamation that all the Indians will have to evacuate within three months. Every day, every month and every year, we are hearing of some Government or other issuing proclamations tending towards the disgraceful treatment of the people of this country. When I first learn of this Iraq Government's order, it was really a surprise to me, and I refused to believe it. A friend on board the steamer who has sunk his money in Basra had come to Bombay to meet his relative and was to go back to Basra, but he was not allowed passport because the Iraq Government had written that they had issued an order that no Indians would be allowed now to trade in Basra. On enquiry it was ascertained that the Iraq Government had really issued such an order. Questions were put in the Assembly, the Member in charge admitted it, and added that the Iraq Government desired to engage their own Iraqui people in service and in trade, and therefore they had resolved that no more Indians would be allowed and Indians who were engaged in business will have to be driven out with bag and baggage. The only consolation we have is that the limit has been increased from three months. I can quite understand the patriotic spirit of the Iraq Government, I can quite understand the same kind of feeling of every other foreign Government, but so long as this alien Government of ours has no feeling for us, no heart for us, we are always confronted with this kind of difficulty. Right down from Lord Hardinge who first protested strongly against this treatment of Indians abroad, to Lord Chelmsford who followed him, Lord Reading who did the same thing, and Lord Irwin who also did the same—I am speaking subject to correction, I have not come across Lord Willingdon having done anything concerning the settlement of the question. But in spite of the highest officials in the land having protested against such treatment for the last two decades, we are in the same position as we were except in certain minor details. I therefore feel that the Government of India must be told that if they have any real sympathy and feeling for the people of this country, they must at once frame laws whereby if those people come over to this country they would be subjected to conditions which are imposed in their country. Unless that is done I am positively sure that no amount of paper sympathy is going to solve the problem. Sir, with these words I commend this proposition for the acceptance of this House.

Mr. Begraj Gupta, (Marwari Chamber of Commerce, Bombay): addressed the house in Hindi, the following is its English version:

MR. PRESIDENT, BROTHER DELEGATES AND GENTLEMEN,

In rising to second the resolution relating to the treatment of Indians abroad, so ably moved by Mr. R. K. Sidhva I tender my strong and whole-hearted support to a question which enjoys complete unanimity of opinion from all classes and communities of India.

In certain quarters it is often complained that Indians have got into a bad habit of mixing politics with business. But, however much we businessmen may try to avoid politics, politics go on butting in, most inconveniently, making business and life impossible. Nothing in Indian life is such a constant and poignant reminder of the inferior constitutional position of India as the treatment of Indians abroad. The openly hostile and insulting treatment meted out to the Indians abroad, now in one country now in another, would be impossible but for the lukewarm attitude of the Government of India, to which a reference is made in the first part of the resolution. No Government in any free country, which allowed its nationals to be subjected to such ill-treatment would escape censure or survive in office for any length of time.

Gentlemen, Indians are the political orphans of the modern world whose honours and interests seldom receive adequate protection. I do not for a moment suggest that the members of the Government of India like Sir Mohammad Habibulla, Sir Fazli Husain, Sir Girijashankar Bajpai or Kunwar Jagadish Prasad have not sincerely striven for the amelioration of the conditions of Indians abroad or not themselves felt the sharp edge of insult from time to time offered to Indian nationals. Nothing is further from my mind. The trouble really lies in the attitude and the policy of the colonial office and their reflection on the actions of the Government of India. The India office which has, on well-known occasions, prided itself on the strength of its policies in respect of the internal administration, betrays a woeful impotence in matters affecting the rights of Indians residing in foreign lands. I do maintain, however, that if the high traditions set up by Lord Hardinge guide the policies of the Government of India, there is nothing in the constitutional status itself, which can prevent Government from affording effective

protection to Indians abroad from repeated and unjust attacks on their elementary rights.

These attacks are getting frequent, reckless and terrible in consequences. Not a year passes by without throwing up new instances of unjust oppression, expropriation, confiscation and insult to which our brethren abroad are ruthlessly exposed. Whether it is South Africa, Uganda, Tanganiyka or Kenya, Zanzibar or Iraq, there is the same tale of woe. Indeed, there are very few places in this wide world where Indians are treated with respect and where they are free to follow their chosen avocations or to enjoy their legitimately earned rights and privileges in peace.

Take the case of Zanzibar, I hope that we are all familiar with the several aspects in which persecution of Indians has expressed itself in Zanzibar and I shall not go much into detail. Although all the six decrees hastily promulgated by the Government of Zanzibar, June 1934, constitute part of one scheme, the central objective of which has been "the squeezing out of the native of India from regions in which they have established themselves under every security of public faith", three of them *viz.*, the Alienation of Land Decree, the Clove Growers' Association Decree and the Clove Exporter's Decree are the most vicious in their design and effect and the most ruinous to the rights of Indian settlers. The purpose of the Land Alienation Decree was threefold; firstly to prevent agricultural land passing into the hands of Indians, secondly in a measure to dispossess them of the clove lands and clove trees which have duly come into their possession and ownership, thirdly a moratorium was declared for a year which was subsequently extended whereby no decree or order of a Court for the sale of land can be executed in favour of the Indians.

It is true that a Commission was appointed to enquire into and report upon agricultural indebtedness in Zanzibar and the relief of debtors without unduly prejudicing the interests of the creditors. The Commission published its report in April 1935 which contains some fair and reasonable recommendations. Unfortunately however the Government of Zanzibar, except in so far as they have accepted the recommendation that where what is called a "fictitious sale" is held to be a mortgage, it should be an ordinary and not a usufructuary mortgage, have turned down many of their fairest and most important recommendations such as amicable settlement of

debts and future alienation of land. In the place of the policy of amicable settlement, the Zanzibar Government favour compulsory adjustment of debts and re-opening of past transactions. We can easily imagine how effectively this policy can be harnessed in dispossessing the Indians of their lands, the vast majority of which are the result of genuine and honourable transactions. On the second recommendation the Government have declared that the "restrictions upon the alienation of land is absolutely essential". Similarly on the question of repayment of debts, whereas the Law Commission has recommended instalments spread over a maximum period of five years, the Government wants the period to be 20 years. This is the fate of the unanimous recommendations of the Commission appointed by the Protectorate's Government.

The Clove Growers' and Clove Exporters' Decrees are even more terrible in their confiscatory effects. Whereas the ostensible objects of these decrees are declared to be fostering production and encouragement of the spirit of thrift, co-operation and self-help, the real purpose has been to create and maintain a permanent and absolute monopoly in the clove trade by displacing and suppressing the Indian traders. I wonder whether it is sufficiently known in India that the Clove Growers' Association is an association without a single member and that it consists solely of a Board of management of Government officials with one Mr. Bartlett as Secretary-Manager armed with formidable powers to boss over the show. This man who had failed as a competitor of the Indian merchants has been made their master who might condescend to 'feed' them so long as they behaved themselves.

The two main reasons offered as justification for the decrees are the stabilisation of prices and the reduction of middleman's charges. The hollowness of the second excuse can be seen from the fact that the levy of annas seven per Frasila of cloves (35 lbs.) imposed by the decrees, the yield from which is to constitute the funds of the Association is calculated to amount to much more than the combined earnings of all middlemen in Zanzibar and Pemba. The policy of price stabilization and thereby improving the trade and economic position of the Protectorate has also produced results which constitute a sufficient condemnation of that policy. A year's working of the new policy has resulted in doubling the quantity of unsold stocks and reducing the export trade by

more than 33 per cent. Although a measure in rise of prices has been effected by artificial means, it has been bought at the expense of the Protectorate's export trade, with the result that Madagascar, a neighbouring island, has raised its export of cloves by 70 per cent. during the same period. The economic condition of the population has deteriorated rather than improved as a result of the decrees so much so that 2,000 warrants of arrests have been issued on African natives to recover Rs. 3 per head as annual hut tax. The Clove Growers' Association adventure has involved Government in such lossess that they are contemplating new taxation to meet the same. In a word, these odious decrees have hardly succeeded in any of their objectives except bringing utter ruin to a large number of Indian merchants.

The measure of distress caused by the decrees can be gauged from the fact that the number of Indian exporters has been reduced from 31 to 3, that a large number of Indian merchants have been unable to pay the ordinary trade licence fees, that there is not a single Indian holding any stocks of cloves, that hundreds of Indian merchants had to wind up their business and at least 20 Indians have gone insolvent, the moratorium also largely contributing to these pitiful results.

Now, Gentlemen, what is the position of Indians in Iraq. Iraq which owes its independence largely to the tremendous sacrifices of the Indians and which not only received a large revenue from the thousands of Muslim pilgrims going to Karbala and other religious places but also derives considerable benefit from India in several other shapes chosen to inflict wanton blow upon the legitimate rights and privileges of Indian settlers. The Government of Iraq has passed an Act which though generally applying to all foreigners is primarily aimed at Indians and is calculated to effectively prevent them from engaging themselves in any of the professions and trades in which they have for long been employed. In the Act a long and exhaustive list of professions and drafts is given entry into which will be closed to all Indians in future. The clause relating to trades is of the widest possible application and runs thus: "A foreigner is prevented from practising the sale and purchase in shops, or on roads as well as from brokerage". A perusal of the Act leads absolutely no doubt in one's mind that its effect is bound to be a complete elimination of the Indians from all trades and professions. There are reported to be in Iraq about three to four thousand Indian

settlers, the position of a large number of whom will be rendered extremely unenviable. Even before the law has received royal assent, the Government of Iraq has started serving upon Indians notices to quit Iraq. Some time back Iraq Government had issued orders for the surrender of passports held by Indians and in substitution for these passports certificates of residence were issued. Now, after the recent change of policy these certificates are being forfeited and notices served to leave Iraq at very short notice.

These extremely unjust and unjustifiable measures have been taken when the attitude and policy of the Indian people and Government have been completely friendly and beneficial to Iraq. India purchases over 60% of the total quantity of basket dates exported from Iraq. There is a large number of Iraqis settled and trading in India and engaged in various professions and services without any restrictions or discrimination. The amount of charitable contributions from Indian muslims to Iraq is considerable.

In the face of these facts, what is the duty of the Indian Government? Will they continue to sit with folded hands and content themselves with an occasional representation or note of mild protest or will they realise that the lukewarm and the half-hearted policy applied so far must give place to a more vigorous and effective line of action. As we submit in the second part of the resolution, whether it be Zanzibar or Iraq, the only effective remedy is to initiate a policy of active reciprocity and, where necessary, vigorous and effective retaliation. Once the Government of India take a convincing line of action calculated to prove their readiness to uphold Indian rights by legitimate retaliatory measures, few would dare to go on assailing our rights and interests with impunity. What is needed Sir, is a policy that will restore or create respect for Indian nationals and their interests in foreign lands. We Indians have no desire to encroach upon the rights of other peoples. We have every sympathy with the efforts of other peoples to improve their economic position and to set their houses in order. In all those cases it can be proved that the Indians settled in other lands have in no way abused their opportunities or harmed the interests of their lands of adoption, we are perfectly willing to agree to take measures for the elimination of undesirable tendency. But if wanton and unprovoked attacks are made on our most legitimate and elementary rights our motto is "reciprocity and retaliation".

With these words, Gentlemen, I commend the resolution for your unanimous acceptance.

The Resolution was carried unanimously.

Mr. Jasani, (Burma Indian Chamber of Commerce, Rangoon): Sir, I beg to move the following Resolution:—

EVICTION OF CHETTYARS FROM THE LANDS IN MINBU DISTRICT (BURMA)

The Federation is of opinion that the proposed eviction of Chettyars from the lands in Minbu District, Upper Burma, obtained in settlement of their just dues, is unjust, inequitable and confiscatory in nature and will cause great loss to Indians and that the Federation urge upon the Government of India to recommend to the Government of Burma to drop the said proceedings as being calculated to cause grave apprehension in the minds of Indians, especially, on the eve of separation of Burma.

MR. PRESIDENT AND BROTHER MEMBERS,

The land in question refers to three firms of Chettyar namely Bank of Chettinad, M. As. A. Kuttayan Chettiyar and R. M. A. L. R. M. Firm.

These Chettiyar Firms are carrying on money lending business in the Minbu District of upper Burma. They commenced doing business in that district between years 1895 and 1900 and the volume of their business gradually increased up to about the year 1927 when together they had outstanding advances in the Minbu District amounting to about a quarter of a crore rupees. The volume of business increased considerably from about the year 1911/12 when the Mon Canal was completed and the tract of land which thereby became available for cultivation has been developed to a large extent with advances by the Chettiyars. In making these advances the Chettiyars no doubt were merely carrying on their legitimate business of money-lending but in the absence of those advances and the financial facilities which were available to the cultivators through the business organisations of the Chettiyars, there could have been no satisfactory development of the lands irrigated by the Mon Canal scheme. The debt which the Government of Burma and the province owes to the Chettiyar community

for its services has been frequently referred to, and in this connection, it will be sufficient to refer to the following extract from the report of the Burma Provincial Banking Enquiry Committee at page 190 of volume I where it was stated that the Chettyars are the mainstay of Agriculture finance in the province. They do not do a large, generally the largest of lending direct to agriculturists, they also finance to a considerable extent to others who do such lending, etc. They have not only rendered a service in the past, playing in the development of Burma, a necessary part which no other class has offered to play; with their support, or substitution of some other banking system towards which no steps have as yet been taken, the internal and external trade of the country would break down and the rice crop could not even be produced." These are not lesser compliments.

In about the year 1927-28 there commenced the period of world wide economic and financial depression which still continues, and for the outstanding balance they were unreluctantly compelled to call in their advances. The Chettiyars estimate that since 1927-28 in the Minbu district they have succeeded in obtaining repayment in cash only about Rs. 4 lacs of the total outstanding of about Rs. 25 Lacs, and for the outstanding balance they have been compelled by force of circumstances to accept such security as their borrowers were able to offer. Prior to the commencement of the period of depression the Chettiyars had not usually required security for advances made to cultivators, such advances were made on promissory notes and repayment was secured in kind at the time of harvest. During the period of depression, however, the Chettiyars found it increasingly difficult and in many cases, impossible in this way, to secure repayment of their advances in full, and they were thus compelled by force of circumstances to require security from those of their borrowers, who were able to furnish it.

In these circumstances the Chettiyars became the mortgagees of lands in the Minbu District and owing to the long continuance of the period of depression they have in many cases been compelled to accept conveyances of those lands in settlement of their claims.

Out of the lands accepted in the settlement some were state lands about which Chettiyars did not know and nor were they ever informed about it by the officiary.

I may be permitted there to mention that the treatment which is meted out to Indians in other British possessions and about which the Federation has just passed a resolution is not unlikely in the future Burma if the treatment of the Chettiyars in Minbu District can be taken as a promise of what is to come.

In conclusion I can only hope this House will support the resolution before them, and the Federation will try their best to right a grievous wrong, to a community that has been the back bone of agriculture in Burma. (*Loud applause.*)

President: I will now call upon Mr. Ganga Singh to support it.

Mr. Ganga Singh, (Burma Indian Chamber of Commerce, Rangoon): Gentlemen, I won't take up much time of the House but I would like to make it clear that in Upper Burma we have two kinds of lands, that is, State lands and (lease lands) non-State lands. State lands cannot be passed on to any person who is a non-agriculturist but the other kind of lands, that is, non-State lands, can be passed on to anybody. The justification for this demand on behalf of the Chettiyar community in Burma arises on account of a legal difficulty which has arisen from the passing of some State lands to the Chettiyars, who have been a non-agriculturist community in Burma. Sir, in 1928 the world-wide depression started, and the Chettiyar community had advanced large amounts of money to the people residing in the Minbu district in Upper Burma. When the depression started, they were anxious to recover their loans or to have some security against those demands. They did not know that land belonging to an agriculturist class, *i.e.*, State land, could not be passed on to them. Thus, in many cases both State lands along with non-State lands had passed on to them and were shown in their names, but this mistake was discovered very late, in about 1933 or 1934 (I don't remember the year exactly), when a revenue surveyor reported that certain State lands had passed on to the non-agricultural Chettiyar community. The Chettiyar community who had advanced those loans pleaded their ignorance—and the ignorance was right and just because there was nothing to show that those lands which had been passed on to them were really State lands, because generally in the maps State lands in that part of the country used to be shown by red colour and the revenue receipts

had on their back instructions to show that certain lands were State lands. These two distinguishing marks were somehow or other removed by the authorities and so the Chettiyar community when they came to have these lands did not know this. Now the difficulty is that on the reports of the revenue surveyor, proceedings were taken by the Collector of the District because according to the Upper Burma regulations that no non-agriculturist can acquire those lands. But, Sir, this complication arose on account of the *bonafide* ignorance of the rules on the part of the Chettiyar community, now the demand is that they should not be evicted from those lands and that they should be given a certain reasonable period of time within which to sell back those lands to the agriculturists. At the present time when there is no money in the market, these agriculturists cannot afford to buy those lands, so, Sir, the Chettiyar community has been demanding that they should not be forced to be evicted from these lands, in these peculiar circumstances. The Nattukottai Chettiyar communities' Association has approached the Federation with the request that they may raise voice on behalf of the Chettiyars before the Government so as to point this out that it was not in defiance of the laws but through mere *bonafide* ignorance of them, they are thus placed in the difficulty. With these few words, Sir, I support the Resolution. (*Loud Applause*).

The Resolution was accepted unanimously.

President: Gentlemen, I would now move Resolution No. 17:—

REGISTRATION OF LIS PENDENS

The Federation urges upon the Government of India the desirability of undertaking legislation with a view to make the Registration of *Lis Pendens* compulsory.

Mr. S. H. Lulla: Before you put this resolution to the vote, Sir, I should be glad if you will please explain the full meaning of this resolution.

Mr. D. P. Khaitan: Perhaps I may, with your permission, explain this. This is a legal term. A desire has been expressed that the term "Lis Pendens" should be explained. If you understand the expression "Lis Pendens", then the expression "Registration of Lis Pendens" is easy to understand. Now just as

a conveyance is registered, it is desired that a "Lis Pendens" should also be registered with the Registrar of Assurances. The law is that if a person conveys or transfers any property in favour of another and the purchaser or mortgagee or lessee or any other assignee of the property is not aware of a claim that is pending in a civil court for adjudication, he is affected by the decision of the civil court whether he knew of the claim or not. Now in England there is a law and in the other countries also there is a law that because the assignee is affected by the decision of a suit of which he is not at all aware, therefore it is very desirable that a notice of a pending litigation should be available by some means or other. Otherwise a *bona fide* assignee would be put to a great loss, although he was not at all aware of the pending suit, and under the present law it is not at all necessary for the vendor or other assignor of property to give notice of a claim that is pending in a civil court, and therefore it is desirable that the law in India on this subject should be brought into line with the law as it obtains in England and in other countries. It is quite true that it takes about thirty years for any desirable law to cross the Mediterranean and the Red Sea and the Arabian Sea before it reaches India, but whatever time it may take it is now high in the state of the existing law in this country that our law should be put right so that the *bona fide* assignee of property may not incur any loss, and, Sir, the registration of this "*Lis Pendens*" is a very easy matter. All that has to be done is for the plaintiff who claims a certain right in a property to prepare a short memorandum of three or four lines and send a copy of this to the Registrar of Assurances who will keep a register of *Lis Pendens* and that is to be done by the Registrar in whose jurisdiction the property is situated. It can be done by post, it can be done by personal appearance, and it is a very easy matter and nobody is subjected to any loss whatsoever. (*Applause*).

Mr. Coomar: Will this registration cause any expense?

Mr. D. P. Khaitan: It might cost four pice in postage stamp, that's all.

The Resolution was carried one dissenting.

President: I will now take up Resolution No. 18 and I would ask Lala Shri Ram to move the Resolution.

Lala Shri Ram, (Delhi Factory Owners Federation): Mr. President and gentlemen, the Resolution which I am asked to move is as under:—

SUGAR-CANE CULTIVATION

(a) **The Government of India having imposed an Excise Duty of Rs 1/5/0 per cwt. on sugar manufactured by factories operating by vacuum pan process, the Federation is of the opinion that more rapid and intensive steps should be taken by the Central Government through the Imperial Council of Agricultural Research and by the Provincial Governments, to raise the standard of cultivation of cane, both as to quality and quantity, by the establishment of cane nurseries in all cane growing provinces, in which canes of high sucrose content and early and late ripening varieties would be propagated for wide distribution to the ryots for seed, by the dissemination of information as to best methods of cultivation, manuring and irrigation by the extension of the canal system or assistance in well sinking, by research as to methods of combating cane diseases and pests, and by the provision of better roads, so that the cane cultivation costs may decrease, and production increase for the benefit of the ryot and the sugar manufacturer enabling the industry to compete effectively with foreign countries before the expiry of the period of protection to the industry. The Federation considers that at least 2 annas per cwt. out of the proceeds of the excise duty should be allotted for these purposes, as recommended by the Imperial Council of Agricultural Research.**

(b) **The Federation also suggests that the Government should carry on intensive research work for the proper utilisation of molasses.**

Sir, my task is not very difficult this year in as much as the main part of the resolution is only to ask Government to set aside two annas per cwt. out of the excise duty for certain purposes. So far as that part of the resolution goes, I am in very good company as the Sugar Committee appointed by the Government of India made an identical recommendation in June or July last year. As you know this Sugar Committee is presided over by a Government official of the standing of Secretary to the Government of India and is composed of the Agricultural Expert with the Imperial Council of Agricultural Research, the Directors of Agriculture in the provinces and a number of other Government servants. The Government of India should not therefore assume that in this particular matter we

are asking for something which is either unreasonable or which cannot be justified. I gladly recognise that the Government of India this year have not only sanctioned Rs. 2½ to 3 lakhs which the Sugar Committee asked for the Technological Committee at Cawnpore, but have also sanctioned sums in the neighbourhood of 6 to 7 lakhs on schemes that the Sugar Committee put forward. As a matter of fact the Government of India have sanctioned all the schemes that were put forward by the Sugar Committee so that as far as the Government of India is concerned I do not think we have much grievance because if the Sugar Committee had put more schemes, perhaps the Government of India would have sanctioned even those schemes.

So far as the other parts of the resolution are concerned, I think our objects will meet with general agreement and there again we find ourselves in good company, that is, of the Hon. the Finance Member. He is very keen that the consumers in this country should not suffer on account of heavy protection. What we are trying to achieve is to bring down the cost of sugar and by doing so to help the consumer for whom the Hon. the Finance Member has so much sympathy. As is well-known to you, even now on many occasions sugar sells at much lower prices than the parity of Java so that if we can help in bringing down the cost of manufacture, the difference will not be pocketed by factory owners but internal competition will bring down prices to a level where the consumer will more and more benefit.

Coming to the different parts of the resolution the first asks that more rapid and intensive steps should be taken by the Central Government through the Imperial Council of Agricultural Research and by the provincial governments to raise the standard of cultivation of cane both as to quality and as to quantity. While I give full credit to the Government of India and to the Sugar Committee in certain matters I must tell you that one has to be extremely credulous if one is to believe that the different Directors of Agriculture have at heart the interest of the sugarcane grower to the same extent as the Government of India or the Sugar Committee. I will give you a few instances. First of all this resolution wants more places wherefrom farm seeds can be had. At the moment the position is that the provinces have each got one nursery and not more than one. All provinces have not got farms of their own. Again these provinces are not formed according to climatic or

soil conditions but on political grounds. Take the case of the United Provinces which is either the biggest or one of the two biggest sugar producing provinces. Can the same conditions apply in the west of the United Provinces as in the Terai area. Can the same qualities or varieties of cane be advantageously grown in all the different parts of the same province? It is therefore absolutely necessary that there should be more than one farm—at least half a dozen, or even perhaps twenty farms. Partly it is necessary on account of soil and climatic conditions; mainly it is necessary as our agriculturists are entirely illiterate and it is not possible for them to travel hundreds of miles and go and see the qualities of different varieties of cane and therefore these demonstration farms should be as near each other as possible. I do not say however that they should be adjacent; I want multiplication of farms at representative centres but not duplication. There is no doubt that conditions in the same province differ in different parts.

There is a part of the country where sugar factories can run for twelve months in the year. That is Mysore. There is another part, Madras where factories are run for eight months in the year. Then there is Bombay where factories can run for six to seven months in the year. In the Punjab, on the other hand, the working season for factories is not more than two or three months in the year. Is it not therefore necessary that there should be farms in all such areas where climatic and soil conditions differ. It should be the duty of the departments to grow those varieties which would thrive in the soil and climatic conditions of particular areas.

Sir, it is also necessary that the agricultural departments of the different provinces should find out what are the optimum conditions that the farmer can expect, what sort of manure to use, how many waterings to give and on what sort of soil different kinds or varieties of cane can be grown to get the best of results and what are the best results that can be expected. If they do not know all these, how can they expect the poor farmer to know whether he is doing the right thing or not?

Coming to the distribution of seed, I have to tell you a rather sorry tale. The Directors of Agriculture of certain provinces think that God Almighty has given the whole monopoly of intelligence to them and that even a few people who are born in the country, born as farmers, bred as farmers and working as farmers have not got

the necessary knowledge to try new varieties and that it must be left to the departments of the different provinces. I have got here copy of correspondence sent to me by a very good and well-known farmer in the country. He wrote to the Director of Agriculture of a certain province asking for facilities to import seed varieties direct from Coimbatore and the Director of Agriculture says:—

> "I have gone through the correspondence in connection with the supply of cane from Coimbatore direct to indentors and I find that the Coimbatore farm is not agreeable to supply canes without their first being tested on government farms. I am in complete agreement with this decision because on government farms we have got opportunities of studying them for other factors besides that of yield or sucrose content. As you are aware some kinds are more resistant to pests and diseases" and so on.....

This is not an entirely correct statement. The Coimbatore farm is giving out its varities to all sorts of growers in many provinces but in some parts of the country Directors of Agriculture have taken it into their heads that they must slow down the process and must do it themselves and not leave it to others. Sir, the Director says further in the same letter:

"The Department has already put out very good early medium and late varieties and it is part of our work to find out varities which are even better than those already cultivated. I do not think that the factory will gain a great deal by expediting the growth of new varieties until they have been thoroughly tested. The department cannot allow large numbers of varities to grow in the province and if all factory farms were to import new strains from Coimbatore, the department would be completely at a loss."

I do not see how the department will be completely at a loss. At the most the Director of Agriculture can ask that any new variety tried by farms should not be given out to any other person as there may be a fear of pests. But the tragedy of the whole thing is that this Director of Agriculture who did not allow a certain farmer to get varieties from Coimbatore nevertheless got from the same farmer who had obtained the Coimbatore varieties through some of his friends rather than get it from Coimbatore direct. Is it not a pity that the Director of Agriculture should not allow

people to take the risk and try varieties of cane? It takes about five years for a variety to be produced in sufficient quantity for cultivation on a large scale and if Directors of Agriculture put these difficulties in the way of the farmers I do not know how the sugar industry will be able to run.

There is another advantage. As I have said, if different people are trying the same variety, they will be able to compare their results and then see in what part of the country a particular variety can be grown to the greatest advantage. Another reason given by the Director of Agriculture is:—

> "No material delay in the introduction of really reliable canes is caused by the procedure which I have adopted. (I cannot agree). The limited quantity of seed available from Coimbatore instead of being reduced in amount by issues to private persons who however good and careful they may be, have not the facilities for effective testing, is concentrated at the stations specially provided for this purpose by the Imperial Council of Agricultural Research".

When Coimbatore does not refuse to supply, why should the Director of Agriculture in a particular province have any objection to orders being sent from Coimbatore, when they themslves take care of their quality and quantity? If Coimbatore finds it difficult, they can raise the prices of their variety. Then coming to the question of seed I have got a small grievance against the Directors of Agriculture and the Railways. The Railways refuse to carry seed cane until and unless it is certified by the Director of Agriculture. It is very difficult to get a certificate within a few days and, as you know, seed cannot stand for a very long time. It must be our duty to ask the Railways to carry wagons of seed cane for distances of more than 200 miles on a certificate from the factories and not insist upon a certificate from the Directors of Agriculture who are not very easily available.

The next point in this resolution is about manure. I think the position about manure is very serious and as most of us are not farmers I do not think that we realise the difficulties of the farmers in the matter of manure and this subject the Federation will have to consider very seriously. You know, Sir, that bone meal is available in every part of the country and is very much cheaper in value

than imported phosphates or other artificial manure, but railway freight on bone meal is higher than on artificial imported manure. Sir, in every part of India there is to be found what is called nitre earth. It does not cost any money at all but the railway policy is such that it cannot be carried even short distances. It has very good manurial value but it is so bulky that unless and until the railway freight upon it is reduced to the level of stone or coal it cannot be carried and be used. This nitre is composed of nitre and salt which individually are exciseable and the cost goes up. We should ask the Government of India to reduce the freight on nitre earth to a minimum.

Sir, India is mainly and primarily an agricultural country and not only for the cultivation of sugarcane but for the cultivation of every field produce. It is essential that manure should not become a monopoly. As must be known to many of you, the Imperial Chemical Industries have entered into an arrangement with manufacturers of manure in this country and with importers of manure. The position is therefore very serious and I understand that the Company is also negotiating with oilseed crushers, so that it will not, in future, be possible for the agriculturist to get even oilcakes as cheaply as possible. Sir, this question of artificial manure is very important. Government must put down this monopoly and if need be start the industry on their own account and save the farmer as without artificial manure in these days it is impossible to make agriculture paying. Some of the Directors of Agriculture are making themselves, unintentionally perhaps, agents of this Imperial Chemical Industries inasmuch as they have purchased huge quantities of manure and are distributing it among the people. Why should they do so instead of finding other indigenous manures and thus helping them? Then, Sir, a circular was recently issued by one of the Directors of Agriculture asking the factory owners to use super-phosphates and sulphates and it is said in the circular that the cost of this manure should be found entirely by the factories because they will get one per cent. extra recovery on their cane. Sir, is it right that the Directors of Agriculture should become the agents of a profit-making commercial venture. The experience of a few enlightened and educated farmers is that, far from the question of one per cent. extra recovery, they do not get even 1 per cent. extra recovery by the use of these super-phosphates and sulphates. Is it right that the factory owners and farmers should be asked to

use this imported manure which does not give even 10 per cent. of what the Directors of Agriculture claim for it?

Then, Sir, the next part of the resolution is about irrigation. I must confess that I do not know much about irrigation except in certain parts of the United Provinces. The policy adopted by the United Provinces Government of stopping canal supply water and giving tube well supply is working very harmfully because it costs money by having to consume electricity; and therefore they are starving. I will leave to the seconder of the resolution this question of irrigation.

The next point is about pests. As is well-known, last year almost the whole area on the Meerut side was ruined by all sorts of pests. The only explanation given by the Agricultural Department was that there is ratooning of crop and that this ratoon crop is responsible for the pests. I do not honestly believe that this is the right explanation. They are putting forward an excuse which does not carry conviction. Rather than go into this question minutely and carefully they have found an easy excuse. I am told that there are countries where 40 times the same crop is ratooned. Such an authority as Rai Bahadur Venkatraman who is responsible for giving Coimbatore the name it has got and who has made the most valuable contribution to the Sugar industry in the country, has told me personally that he has no objection to ratooning crops and that the crop could be ratooned 12 or 13 times instead of once or twice. I do not think that ratooning is at all responsible. And if it is responsible it must be because it is not manured sufficiently or watered sufficiently. It is for the department to tell the farmers what to do about it rather than pull down a house before another is built.

The next point is about transport. I think it is a very important question not only from the point of view of sugar factories but from the point of view of all agricultural products. Sir, it is very important that the agriculturist in the interior should be afforded facilities for bringing his produce to factories, to stations, to markets, to mundis. All the money that the Government can devote to rural uplift will I think be well spent if the interior were opened, if it were made possible for the farmer to get really better prices for his produce than he is now getting. In this connection I will make a few definite suggestions also. One of them is that the canal

authorities should on very reasonable payment allow one of their embankments to be used for traffic for conveying agricultural products,—cart traffic or motor traffic or any sort of traffic. The other thing is that the Government should give facilities for the acquisition of land where the factory owners want to build their own roads. My third suggestion is that although it has become possible in different provinces now to get licences for running trailers and lorries of a certain capacity, in practice it is very difficult to obtain permission to run these lorries or trailers. The general excuse is that the bridges and the culverts cannot stand the heavy loads of these lorries and trailers. But here again I can tell you from personal experience that we have been refused permission to run our lorries in places where there is not a single culvert or bridge, on the ground that the bridges cannot stand the load. In this connection I have also got to say that I have got experience and there are others who have got similar experience that sometimes the railway takes 5 to 10 days for carrying cane only to a distance of 100 to 200 miles. You know that after 24 hours deterioration starts on the sugar cane. On the one hand the railway member deplores the diminution in traffic, and on the other hand the position is that the farmer cannot sell his cane for want of transit facilities. The factories cannot get their raw materials because it takes from 5 to 10 days for carrying cane only for 150 or 200 miles. Is that a desirable position? Something should be done, and I suggest that where even 20 or 25 wagons are available, Government should run special trains for carrying cane.

Then, Sir, there is another difficulty and it is this. You all know that molasses are almost unsaleable, although the Tariff Board thought that they would fetch a price of about Rs. 2-8-0 per maund. But even as it is, the railways do not provide tank wagons as quickly or as many as are required. I know cases where indentors for wagons have not been supplied with more than one in five, and that also not regularly. We should therefore ask the railways to provide more tank wagons for the carriage of molasses.

The next item is about intensive research work for the proper utilisation of molasses. About two years ago a sugar committee meeting was held in Delhi and this Committee unanimously passed a resolution that Government should be asked to start absolute alcohol manufacturing factory and make researches in other spheres for the use of molasses. To-day the Government of India need not

spend even 2 or 2½ lakhs. The Mysore Government is actually running an alcohol factory. Although they are not making absolute alcohol they are making 96·7 per cent. alcohol. I think if the Government of India send one of their research workers there it can easily be ascertained what the possibilities of alcohol in this country are. I am given figures by different authorities that if we take the price of molasses at four annas a maund, which is a very reasonable price, and if anything more generous than reasonable, alcohol can be manufactured at not more than 4 annas per gallon. I think that even after paying the excise duty it will be possible to make alcohol and get some value for the molasses which to-day are of no value. I think, therefore, it is the duty of the Government of India in the Imperial Council of Agricultural Research and the Sugar Committee not to sleep over this matter any longer but to take it up absolutely seriously, so that when the time comes for the next Tariff Board, it may be possible for us to stand any onslaught that there may be on the percentage of protection.

With these words I beg to commend this resolution for the acceptance of the House.

The Session adjourned for Lunch till 2-45 P.M.

AFTERNOON PROCEEDINGS

Sunday, 5th April, 1936.

The session commenced its sitting after Lunch at 2-45 P.M., with the President, Lala Padampat Singhania, in the Chair. Discussion on resolution re: "Sugar-cane Cultivation" proceeded.

Mr. M. L. Dahanukar, (Maharashtra Chamber of Commerce, Bombay):—

Mr. President, the Resolution has been ably moved by my friend Mr. Sri Ram and he has elaborated it to such an extent that he has left very few remarks for me to offer. However, I have got a few observations to make. If protection to the industry was given, there was a two fold duty, one by the Government and the other by the industrialists. I think all those present here will agree with me that the industrialists or rather the investing public have fulfilled their part of the duty, by bringing in the necessary capital and establishing several cane sugar factories for making white sugar by vacuum pan process. Now, Sir,the other part remains to be fulfillled by the Government. Lala Sri Ram has said in his speech enough to point out as to how the Government have not been helping this industry to overcome several difficulties experienced by the industrialist in the initial stages to run the industry successfully. He has told us several facts about the handicaps that the industry has been suffering from and also he said that the Government should help in various directions so that the industry can be substantially developed and established and the results achieved could be both in favour of the country and also the Government as such. Sir, on our side the industry has to grow cane, as the area of the local cane grown there is very negligible. Owing to the several natural difficulties and handicaps we look upon the Local Government to give us the necessary help to grow cane at economical prices. Irrigation on our side is not so well developed as it has to be developed for the spread of the growth of sugar cane. Although there is some irrigation system existing on our side over which several crores have been spent, yet the modernisation of the same has not yet been made. The sugar cane cultivation is a perennial crop which requires permanent watering throughout the year, and that too a sufficient supply of water, so that the crop can thrive. The irrigation which is existing to-day in all places is not a perennial irrigation and it has got to be supplemented by lift irrigation or the other

sort of artificial irrigation. There are two ways of irrigating sugar-cane crop, one by lift, or water lifted from the tube wells or nallas or rivers and the second is by flow of water from canal irrigation. You know that irrigation from the canal is the cheapest method and the surest method of irrigating sugar cane crop. If it is to be by the lift, either from the tube wells or from the river or other sources of water supply, the cost is more because an outside power is to be utilised for pumping and drawing water. The irrigation system in India thus if compared with Java is to some extent defective and if it is to be made useful for sugar cane cultivation, I can definitely say that it requires a lot of development and for that purpose besides research in plantation, also a sort of enquiry or investigation is necessary. If Government would take up that kind of work, it will no doubt be a great help for the sugar cane plantation in general. Sir, sugar cane, on our side, is to be planted at a very high cost, and the cost of irrigation is to be borne by the planters. This is only because the Government are not paying proper attention to the development of irrigation. I am sure that if irrigation facilities are properly developed sugarcane can be cheaply grown and the cost of cultivation also will be cheaper so that sugar can be produced at an economic price. Representations after representations have been made by the industrialists to our Government but to no effect. I do not know whether the Government realise the necessity of helping the industry which has just started and which is yet in the stage of development. Sir, there are also other factors so far as irrigation is concerned, but many of them are merely matters of detail. It is not only the quantity that is required to be grown but the quality also of the sugar cane. The irrigation should be on the most up-to-date lines and in such a form as it will help the industry. In Java, Hawaai and Cuba, what is the yield of sugar cane obtained per acre? I can definitely say that the Hawaain sugar cane is leading in the world. Next to that is the Java plantation. In Java the sugar cane is grown at about 2,000 maunds per acre, while in India, in United Provinces and Bihar it is about 400 maunds per acre and on our side it is only about 1,000 maunds per acre. This is a fact which every industrialist knows and therefore this requires careful consideration by the Government. We have brought to the notice of the Agricultural Department all these facts and figures, but so far no steps have been taken by them. Sir, sometime back the Maharashtra Chamber of Commerce announced a prize for growing the best type of sugar

cane which would contain the highest sucrose contents and large tonnage per acre and I feel a great pleasure to say that some people in the Deccan came forward and demonstrated by cultivating sugar cane which did not only gave high tonnage, but was of very good quality also in India. It was on the experimental scale and the tonnage produced was about 100 tons per acre. This is of course an experiment and we have to find out as to how much we can improve upon the present position. From this one can realise how much there is necessity for reasearch and how much scope there is for further development so as to produce sugar cane very economically. Sir, these are problems which cannot be solved without Government aid. When we ask for aid from the Government we do not ask for subsidies or bounties to the factories, but only let there be a help in employing experts and carrying out research work at the centres which the Government have set aside for this purpose. There is one Imperial Sugarçane Research station at Coimbatore, which has no doubt helped the industry in bringing out the best type of canes which are at present grown in various parts of the country and which have given better results than before. Still, Sir, even with these results, it is not possible to produce sugar at an economic price, and if we want that our sugar should successfully compete with the imported stuff, I feel sure that Government aid is absolutely necessary and therefore all the suggestions made in this Resolution regarding the cane plantation are required to be fully considered by the Government and immediate steps taken in that behalf.

As regards utilisation of molasses, after a great deal of agitation and passing of resolutions by this body and other institutions like the Indian Sugar Mills Association, the reply that was given by the Government was that power alcohol cannot be produced out of molasses on a commercial scale. I am merely surprised at this declaration by Government. I do not know whether this declaration is correct. I suspect there is something behind this utterance. We know that a company named the Indian Molasses company established by some British combine and with the object that molasses from this country to be taken to Great Britain and various uses of the same to be made there for deriving maximum commercial benefits. From what little I know about this I feel sure that the first and the best use which can be contemplated is the making of power alcohol from the molasses. Mr. Gandhi who is the Secretary of the Indian Sugar Mills Association in his recent annual

book on the Indian Sugar industry has clearly pointed out that molasses can be utilised to produce power alcohol on a commercial basis. The Mysore Government have carried out experiments and an extract is given in this book, which I reproduce here, it says:—

> "In Mysore a plant has been erected, suitable for tropical climate for the manufacture of rectified spirit over 68 per cent. with provision for absolute alcohol of between 99·8 and 99·9 purity by the melle process. The cost of production of alcohol is reported to be Rs 0-4-6 per gallon, with molasses at annas four per maund and two annas per gallon with no value for molasses. Such alcohol is used as motor fuel in lorries, trucks, motor cars of the Mysore Sugar Company and in modern engines without the mixture, with petrol of high compression ratio, and the results reported are found to be better than with petrol".

I am surprised to see how the experiments made by our Government proved unsuccessful. This is a glaring example of not only producing power alcohol for experimental purposes but for using the same for practical purposes in the Mysore territory. I feel sure that if the Government were to carry out the recommendations made by the Imperial Council of the Agricultural Research Institute who have definitely recommended that two experimental plants should be installed at Cawnpore and some other place, and if experiments with molasses are carried out, we shall definitely be able to know the results and can then judge whether power alcohol can be produced out of molasses on a business scale or not. If the bye-products of the industry do not yield a proper return, I am sure the industry will be handicapped considerably. Therefore, I have to again repeat here that the Government should consider the circumstances and reconsider the statement they have made, and carry out the recommendations made by the Imperial Council of the Agricultural Research Institute. With these words, Sir, I strongly lend my support to this Resolution.

Pandit K. Santanam, (Indian Life Assurance Offices Association): in supporting the resolution said;—

Mr. President and Gentlemen, I have very great pleasure in supporting this Resolution, and I will say only a very few words. The exhaustive speech that Lala Shri Ram made will have demonstrated to you that in this sugar industry also we have got a long

tale of woe to bring against the Government accusing it of malfeasance and nonfeasance as happens in almost all the industries over which the Government have any control. This Government seem to have a knack of not doing anything when it ought to do something, and if it does something, of doing the wrong thing (Laughter), and the sugar industry is another instance in point. After a long agitation the Government decided to give protection to the sugar industry, and gave a very substantial protection by passing the Sugar Protection Act, but after that they have done nothing. They seem to have had a very lucid interval at that time, and then the mentality of the Government became clouded as usual, and they are sitting tight with folded hands, and whatever action they have taken subsequently has been always to the detriment of the industry. Soon after the passing of the Sugar Protection Act, about 140 companies had come into being within a short space of 2 years, and crores and crores of rupees had been invested in the industry, and of these so many crores, at least 30% has gone to the British manufacturers of machinery. Then the Government, immediately imposed an excise duty. They thought the sugar industry was getting too much profit, and they wanted a share in the profit, and when they put the excise duty, unfortunately for 2 years due to various causes, and climatic conditions were one of the predominant causes, some of the newly started companies could not make any profits at all. Then again when they imposed the excise duty, they held out pious hopes that in course of time the Indian sugar industry would be as efficient as the Java industry. Now, gentlemen, if you will kindly analyse the position, and I am sure many of you have heard some of the very important points made this morning by previous speakers in which the Java sugar industry is very efficient and in which it can serve as a model to Indian sugar industry, you will find that those points are such that we are unable to attain to that standard of efficiency without some kind of help from the Government. Now, what are those points? One is, that in Java every factory is situated in the midst of a farm with the result that the cane is able to reach immediately the factory premises without any driage in the middle, and therefore it yields the best sucrose. But what is the position in this country? In the Punjab we have the Land Alienation Act which makes it impossible for any one to acquire a farm easily. In the United Provinces there is the Tenancy Act whereby there are some life tenants on some farms and they cannot be easily evicted, and so no impoved methods

of cultivation can be introduced, and when you do make any request far making improvements in the industry, nobody listens to you. On the contrary, what they do is, in the United Provinces at any rate, they have fixed a minimum price for sugar cane irrespective of the quality of the cane or the place where the cane is bought, *i.e.*, whether you get a superior quality of sugar cane or whether you deliver the cane at your factory or at a distance of 50 miles, the price fixed is five annas. That is all fixed by an absurd piece of legislation which has no rhyme or reason except some misguided idea of help to the agriculturist, I can honestly assure you that it is not a help to the agriculturists at all; It has only prove to be a definite handicap to the industry as a whole.

Then again in Java the chemical side of the industry is very highly organized. The Government, have been helping the industry wholeheartedly at the start, and then later on the factories were able to organize among themselves and put up a beautiful laboratory for the purpose of testing sugar cane and the various processes of sugar manufacture. Now, in this country hardly anything is being done. It is about 6 years since the Act was passed, and we are still jogging along in the same old haphazard way and the industry is able to keep on its legs without making those huge mythical profits of 300% that were estimated by responsible officers of the Government and were mentioned as a fact in a responsible place like the Legislative Assembly. But in this matter just consider how a Government like the Government of Mysore, when it took up the matter, went wholeheartedly into it, and was able to make progress within 2 years which was undreamt of by any other factory in India which has been working for the last 20 years. The Mysore Government factory is practically worked throughout the whole year,—I am told it is working for about 10 months in the year. They have evolved different varieties of sugar cane with the result that they are able to keep the factory at work all the year round. Our difficulty is that in the Punjab the sugar cane does not remain for 2 or 3 months; in the United Provinces the season lasts for about 3½ months, in Bihar and Orissa it is about 4 months and so on. In these directions the Government ought to give us help by supplying us with the different varieties of cane ripening early and late so as to keep the factories going throughout the year. Without Government help, the industry can make little progress, but the Government has done nothing. As I say, the whole history of the legislation

about sugar is a history of wasted opportunities and misdirected legislation by Government, and some times I might say malicious legislation for the purpose of putting down the very industry which they wanted to foster in this country.

Now, gentlemen, I need not drag you further into all the details of the thing, but this Resolution indicates what are the directions in which the Government can give relief to the industry so that it is not only the mills that will benefit, but the agriculturists also would benefit, as also the Government which is taking a fat excise duty. I hope therefore it wants no more speech on my part to commend it to the House, and I hope you will pass it unanimously.

Mr. President: Gentlemen, the Resolution No. 18 is proposed, seconded and supported. I hope you will all pass it.

The Resolution was adopted unanimously.

Mr. G. L. Mehta, (Indian Chamber of Commerce, Calcutta): Mr. President and Gentlemen, in order to save my time and also your time, I will not read out the Resolution in the hope that you have all read it. My friend Mr. Shroff whispers to me that it is not usual and therefore I must read it, but I hope you will give me one minute more. The Resolution (No. 19) reads:—

EMPLOYMENT OF "DUFFERIN" CADETS AND OFFICERS

(*a*) The Federation urges upon the Government of India to take immediate and effective steps in order to ensure that the Shipping Companies plying regularly in the coastal trade of India should be under an obligation to take at least two "Dufferin" cadets per each of their vessels as apprentices for training and also to employ qualified officers and engineers trained in the "Dufferin", up to at least 50 per cent. of the total number of officers and engineers employed in their ships as recommended by the Indian Mercantile Marine Committee.

(*b*) The Federation also urges upon the Government that they should use their influence with Shipping Companies like the P. and O. which receive mail subsidies and patronage of the Government and the people of India to employ duly qualified cadets from the "Dufferin" as officers on their steamers in adequate numbers.

(*c*) The Federation futher urges that whenever mail contracts with the Shipping Companies are made or renewed, definite conditions should be attached to the grant of mail subsidies out of the Indian

exchequer regarding the adequate employment of Inidan apprentices and officers in the ships belonging to such Companies.

Sir, in moving this Resolution I must at the outset emphasise that this is not a mere question of securing a few jobs for a few young Indians. A far larger issue is involved in this question, namely the creation of an Indian personnel for sea service, which was one of the recommendations of the Indian Mercantile Marine Committee, and which they regarded as one of the principal features of an Indian Mercantile Marine. When Sir Joseph Bhore, the late Commerce Member, visited the Training Ship "Dufferin" a couple of years ago, he said that this was a nation-building enterprise which should command the enthusiastic approval and wholehearted support of every patriotic Indian because, after all, sea power, like any other power, rests ultimately on a trained personnel, and it was with a view to create such a trained personnel, that this Training Ship was established. The Indian Mercantile Marine Committee, one might say the late lamented Mercantile Marine Committee, recommended the creation of an Indian personnel and this was practically the only recommendation of the Committee which was accepted by the Government of India and resulted in the establishment of a Training Ship in Bombay. Although some experts were of opinion that Indians should be sent to "Conway and Worcestor" in England for training, ultimately the Government decided to establish a training ship in Bombay, and circularised all the costal shipping companies asking them whether they would be willing to take in boys trained in the Training Ship. Almost all the shipping companies gave assurances that they would be able to take them up not merely as cadets but as officers after they had acquired the necessary sea-training and obtained Board of Trade Certificates. Sir, it was realised from the very start that the employment of these cadets as officers was an integral part of the whole scheme and was absolutely essential for the success of the Training Ship and for creating an Indian personnel for sea service. Consequently, the Government of India and successive Viceroys appealed to the British shipping—particularly because they knew that Indian companies would take these boys as a matter of course hence they appealed to these companies to employ trained cadets as officers, and these high personages paid what we now see were rather premature tributes to the willing co-operation of the British shipping companies to engage the trained boys as officers in their ships. But soon after

the Training Ship was established and the first batch was turned out in 1930, difficulties began to arise which caused anxiety to the Governing Body of this Training Ship. Some of the British shipping companies, like the P. & O. for instance, refused to take a single Indian cadet, while others like B. I. S. N. Co., which has 70 ships plying on the Indian coast and has about 3,60,000 gross tonnage, also took not more than 3 or 4 cadets as officers in their ships. Questions were put in the Legislative Assembly from time to time and it was suggested that the recommendation of the Indian Mercantile Marine Committee, which is embodied in part (*a*) of this Resolution, might be put into operation by Government legislating for the compulsory Indianisation of the sea personnel. The Government spokesmen always said that they were watching the situation very carefully and that they would take all possible steps to secure employment. Although they were not willing to legislate, they never disclaimed responsibility for finding employment for these trained cadets. After all, you will realise that all our talk of vocational and technical education is mere empty words if even these boys, who are trained, have also to go from door to door or from ship to ship in search of employment. The position at present is that about 6 "Dufferin" cadets are actually out of employment, while this year nearly 23 will be turned out from the ship, but we hope that they will not be turned out by the shipping companies! The problem is to find employment for these 30 cadets. British shipping companies were reluctant and some were plainly refusing to employ "Dufferin" cadets on the ground that they had their own unemployed officers to give training; for, charity begins at home, but in this country home has to be spelt with a capital H. But when during the last session Sir Mohammad Zafrullah Khan, the Commerce Member, was asked about the whole position, he said that, so far as the Government were aware, there was no intention on the part of the British shipping companies not to employ "Dufferin" cadets. There is a colloquial saying that the proof of the pudding lies in the eating. The proof of intention is in action. If the British shipping companies refuse to employ "Dufferin" cadets, that is as eloquent a proof of the intention of the shipping companies as the certification of the Finance Bill is proof of the desire on the part of the Government to co-operate with the Legislative Assembly.

Mr. President, the present position has been causing anxiety to the Governing Body since last year, but Government themselves

had a very curious reaction to this present situation, since they were either unwilling or unable to persuade or influence the British shipping companies to take more "Dufferin" cadets. They wanted to tackle the problem from the other end, from the wrong end. They wanted to disclaim and disown responsibility for finding employment for the "Dufferin" cadets, and they wanted to alter almost the whole character of the Training Ship itself. This proposal of the Government evoked a strong protest from the Governing Body, and a distinguished member of the Governing Body stated that if the Government took any such course, he would not only resign from the Governing Body but would ask the Bombay Port Trust to discontinue giving scholarships for "Dufferin" cadets, because we do not want to see the addition of one more Public School in this country. The whole object of the Training Ship was to create an Indian personnel for sea service, and the Government had no right to go back on their past policy in this respect. It was because of this indication of the attitude of the Governing Body that several Chambers of Commerce, including the Indian Chamber of Commerce, Calcutta, the Indian Merchants' Chamber, Bombay, and the Federation of Indian Chambers of Commerce addressed representations last year to the Government urging on them not to change their policy, but to realise their responsibility in this matter which they had hitherto accepted. This question has been repeatedly raised in the Legislative Assembly also during the current session when several questions were put on the subject. As a result, the Government have, early this year, issued a communication to the various shipping companies asking them to reconsider the whole position and to employ more "Dufferin" cadets as far as possible. An interesting debate was raised in the Council of State on the 26th February last on a Resolution by Mr. P. N. Sapru, who moved that all those companies which receive mail subsidies or patronage from the Government should be under an obligation to employ "Dufferin" cadets. Although Mr. Stewart the Commerce Secretary, representing the Government of India refused to accept the more comprehensive and definite and concrete Resolution of Mr. Sapru, he accepted the somewhat vague and platitudinous Resolution of Mr. Kalikar to the effect that Government should take steps to find employment for "Dufferin" cadets in shipping companies operating in Indian waters. But the debate served one good purpose, because, apart from expressing the strength of public feeling on the question, it did prevent Government from resiling from their previous position

and it did commit them again to accept their moral responsibility, and recognise it publicly, for securing employment for these cadets. I know that it is somewhat anamolous that a powerful Government like the Government of India, should have to beg for these small favours from the British shipping companies. But the whole position is fundamentally anomalous because British shipping interests dominate the coastal trade of India and it is therefore that the Government have to ask for these small mercies. Mr. Stewart also, like Sir Muhamad Zafrullah Khan, was not aware of the callous neglect of the "Dufferin" cadets by British shipping companies. But if a shipping company like the British India Steam Navigation Company, having 70 ships on the coast and with a gross tonnage of 360,000 tons, can take in only 3 or 4 boys—if that is not callous neglect, I certainly cannot understand the English language. Mr. Stewart, in opposing the Resolution of Mr. Sapru, stated that this idea of compulsory Indianisation of the sea personnel was a part of the licensing system or coastal reservation, and since both are impracticable, at least, to the Government, no legislative pressure can be put on these shipping companies. I submit that this is not at all true, because there are numerous ways in which the Government can put pressure, apart from the fact, as I shall explain in regard to clause (*c*) of this Resolution, that they can take action in regard to mail subsidies. Gentlemen, there is an old saying that where there is a will, there is a way; and although the Indian non-officials are always blamed for not being constructive, the fact is that the most obstructive institution in this country is the bureaucracy itself, because it uses its knowledge for obstructive purposes and creates obstacles where there are none.

The second part of the Resolution urges upon Government to use their influence in regard to companies like the P. & O. The P. & O. has been specially mentioned, because, in the first place, it dominates the overseas trade of India both in passenger and cargo traffic and because it receives subsidies and patronage at the hands of the Government of India and because they have refused, despite the importunities of the Government of India, to take a single "Dufferin" cadet in spite of the fact that they receive such large State help. For instance, not to go back to past history, the P. &. O. during the last few years, has been receiving a mail subsidy of £30,000 from the Indian Exchequer which is paid to His Majesty's Government and £10,000 to £12,000 for the carriage of mail parcels. Besides, the P. & O. have a virtual monopoly in regard to the

carriage of Government stores and mails. When I see the weekly figures of gold exports from this country, I sometimes marvel at the freight that the P. & O. must be earning on this export of gold. Moreover, the Government have made some private arrangements whose terms they are not disclosing, in regard to Lee passage concessions. You will remember that, as a result of the Lee Commission Report, there were certain concessions given to civil and military officers, and in regard to these concessions the Government have certain private arrangements. Although several questions were put from time to time in the Assembly, Government have refused to disclose their arrangements and what exactly was the payment made by them to the P. & O. in respect of these passage concessions. Nevertheless, in reply to a question by Mr. S. C. Mitter in 1932, the Government said that the figure for the quinquennium ending the 31st March 1931 was Rs. 2 crores and 75 lakhs as payment for passages for officers, civil and military, provincial and central, and almost every pie of this has gone to the P. & O. This, Gentlemen, is the Company which refuses to take a single Indian cadet, though it benefits so largely at the expense of the Indian taxpayer and the Indian public. When Mr. Stewart argued this point, he tried to frighten that sedate, I shall not say senile, body, the Council of State, by stating that the Government had no means of persuading the P. & O. and if the P. & O. refused to carry the Government mails, he asked who would carry them? You may be aware that recently, at the behest and order of the President of the Board of Trade and the Secretary of State for India, the Government issued circulars to all the Local Governments to impress upon the various local bodies to support only Empire shipping, which, in plain words, so far as the overseas trade is concerned, means British shipping. Government can issue circulars asking the Local Governments to support Empire shipping. Government can make private arrangements for ensuring that all the officers travel only by the P. & O. Government can ask delegates to the International and Imperial Conferences to prefer P. & O. But Government cannot persuade the P. & O. to take a single Indian cadet. Sir James Grigg, when he meets the Indian commercial bodies roars like a lion. But when Sir Zafraullah Khan and other Government members are confronted with British commercial bodies, they can only coo like doves. In this connection, there is one rather queer argument of Mr. Stewart to which I would like to refer. In his reply to the debate on Mr. Sapru's Resolution in the Council of State, he indulged in what he

called an arithmetical argument, in order to show that the number of cadets who would be turned out would be far larger than the number of vacancies available. In that connection he stated that there are 80 ships on the coastal trade of India. Only a few days after that, on the 16th of March, his Chief, Sir Zafrullah Khan, the Commerce Member in reply to a question stated that there are 87 British and 63 Indian steamers regularly employed in the coastal trade of India. I know that most nominated members in the Assembly are pliable but I did not know that Arithmetic is also pliable by the Government of India. At one time they want to show that Indian-owned shipping farms 42 per cent. of the costal trade of India but the total number of ships becomes very much less when the question of the employment of Indian young men is under consideration.

I now come to the third part of the Resolution which relates to subsidy. In that connection also, Sir Zafrullah Khan made a somewhat startling reply in the Legislative Assembly. He said that no coastal shipping company was receiving subsidy but were receiving payment for the carriage of mails. This is, surely, playing with words. Even assuming for the sake of argument that it is payment for the carriage of mails, that does not affect, so far as I can see, the moral obligation of the shipping companies to provide employment to Indian cadets when they get money at the expense of the Indian taxpayers. But in fact, it is surprising that the Commerce Member should have made such a statement, because the mail contract between the British India Steam Navigation Company and the Director-General of Posts and Telegraphs and the mail contract with the P. & O. of His Majesty's Postmaster-General as well as the annual reports of the Posts and Telegraphs Department, all mention the word subsidy; it is possible, however, that in his preoccupations with Ottawa, the Commerce Member did not find time to read these documents. These mail contracts and these various arrangements with the P. & O. are an excellent bargaining weapon which the Government can use for getting the present position rectified. Mr. Stewart mentioned another objection in regard to attaching to mail contracts any conditions about employment of cadets. He stated that the imposition of any such extraneous condition would impair the efficiency of the service and he even went to the length of saying that these shipping companies would say "We cannot carry mails". It is very nice of them to carry mails

for us but perhaps Mr. Stewart is not aware of the far more stringent conditions imposed in several other countries in regard to the carriage of mails. I shall only give one or two instances from within the British Empire. For instance, one of the stipulations of subsidies given by the Canadian Government to its ocean and coastal services is that no discrimination should be made as regards rates, etc., against the merchants or shippers of the Dominion concerned who shall always have precedence for freight and goods over all other merchants and shippers. Similarly, by Section VI (2) of Act 10 of 1911, the Governor-General of South Africa is prohibited from entering into any contract for the conveyance by sea of postal articles and from the Union beyond the limits of South Africa with any person who gives, offers or promises to any person any rebate, refund, discount or reward upon such condition that such person shall ship or in consideration of such person having shipped goods by vessels of the particular lines to the exclusion of any others. I do not know if shipping companies in South Africa refused to carry mails because of this although the conditions insisted upon by South Africa and Canada are far more onerous than the obligation that a few cadets should be employed by these shipping companies. The carriage of mails is undoubtedly a service that is performed but surely, the shipping companies are not obliging the country by such performance. It is a historical fact that the huge organisation of the B. I. S. N. arose out of a subsidy given to the late Mr. William Mackinnon by Sir Bartley Frere at a breakfast table in Chowringhee and if similar subsidies were given to other shipping companies over a breakfast table or a luncheon table then I am sure there will not be any inefficient mail service. With these words I commend my Resolution to your acceptance.

Mr. S. H. Lulla, (Karachi Indian Merchants Association): seconding the Resolution said:

After the brilliant speech which Mr. Mehta has just delivered, I do not think that many words from me are necessary to commend this Resolution to your acceptance. Mr. Mehta has mainly concerned himself with answering the Government of India with regard to the arguments advanced elsewhere by the Honourable the Commerce Member and the Secretary to the Government of India. We must bear in mind, Gentlemen, that the weakness of our position arises, in common with other difficulties, from our position as a subject race. In olden times, as old as history can go, we had

our own mercantile marine. We were engaged in oversea trade and commerce in bottoms owned by our own nationals. To-day, alas, what is our position? It is not necessary to remind you of that position in many words. Gentlemen, we must be up and doing but how are we to do it unless we have the co-operation of the Government of the land? England claims that she has attained her position by a policy of free trade. I ask, has England forgotten that at one time it thought it necessary to pass an Act of Parliament prohibiting the entry of certain imports into England in any bottoms other than British owned. If that is the policy by which England secured the highest place in the trade of the world, it is now very easy for her to turn round and say 'Have Free trade'. Gentlemen, that is the key of the situation. We must have the co-operation of the government of this country. Alas, our voice is not heard. Even the Viceroy and others that rule over us take their cue from the merchants in England and the businessmen in Britain. However generous and good intentioned the Government here may be, they are absolutely helpless. At the time when the Dufferin was started, great hopes were held out to us. It was in 1927 that the Dufferin was started. At that time we were assured as solemnly as we could be assured that the British business men were with us and that the British vessels would be willing to take the Indian boys as soon as they qualified themselves for it but what is the result. Mr. Mehta has explained to you what has happened. Now, gentlemen, in view of that, what is the attraction for our young men to go and qualify themselves in that direction? I think we must bring pressure to bear upon Government. India is a country with probably the largest coastal length in the world. If we are not able to do anything, is our Government really helpless? The position is one which can hardly bear analysis even for a short time. If we want the coastal trade of India to be reserved for Indian owned bottoms, we are told that it is racial discrimination. In the Round Table Conference, certain fetters were forged which find a place in the Government of India Act. I do not accept the argument that the Government is powerless that it is unable to exert its pressure in this matter, provided of course they are really serious about it. Gentlemen, we must realise and the Goverment must realise the position and rise equal to the occasion and make it possible for us to feel that the assurances given by Government in this matter were meant to be secured. Now, this Resolution is divided into three parts. As we know, a cadet in the Dufferin has first to under-

go training for three years and then he has to serve as an apprentice for another three years. We want that every steamer that is engaged in Indian commerce must take at least two apprentices. That is Part I. After the three years training has been completed, at least two officers must be taken on Board every such steamer. I am not an expert in shipping but I believe the lowest rank of officer is called Second Mate. Part II deals with the period at the end of which the renewal of the Postal contract falls due. Until then the Steamer companies like the P. and O. must be cajoled. I understand it is possible by means of private influence to bring pressure to bear on the shipping companies. And the third part says that when the time for renewal comes up, we should see to it that we are not in this helpless position and we must be able to say definitely that unless they are able to take our boys, we shall not patronise them. I do not think, Gentlemen, that any one here or any one outside in the country will deny that what we are asking is the very least and Government should see to it that its promises are redeemed and carried to their legitimate conclusion. With these words I commend the Resolution to your acceptance.

Mr. W. M. Muzumdar, (Buyers and Shippers Chamber, Karachi):

MR. PRESIDENT AND BROTHER DELEGATES,

With your permission, Sir, I rise to support the resolution so ably and eloquently put forward both by Mr. Mehta and Mr. Lulla. I do not wish to take much of the precious time of the House, by elaborating the various points dealt with by them, but shall confine myself briefly to the results that we are now facing owing the non-absorption of the I. M. M. T. S. Dufferin trained cadets, in adequate numbers, by the non-Indian Shipping Companies.

Sir, it would be a deplorable state of affairs, if at the end of their hard training, cadets are compelled to steer the course of their carreer to another walk in life. It would in other words mean a sheer waste of time and labour of the young and aspiring youths coming forward to take up the noble and adventurous career of sea-faring. If, sir, these young aspiring cadets are left ignored and not adequately absorbed by the various shipping interests serving on the Indian coast, we would certainly be crippling the ambitions of those young men who have been working hard for a new avenue of profession. I therefore fully endorse the resolution before the house.

Turning to the actual position to day, Sir, permit me to observe, that there have been so far a substantial number of trained cadets for the sea-faring career, but, I am constrained to observe that only a small number has been provided for, so far. A good number of these have altered their course of profession as the position of unemployment is growing from bad to worse. Briefly speaking, sir, the position is definitely indicative of the apathetic attitude of the Government on the issue of suitably providing for the trained cadets on the number of merchant-men plying in the Indian Coastal waters. In some quarters, a suggestion had been made that, in order to tide over the present position, further restrictions be imposed on the entry of fresh candidates for the profession. This has been done, but there is a limit to it. This would not remedy matters, Sir. It would merely circumscribe competition. The problem is, therefore, very complex and acute and requires to be dealt with very carefully.

The unemployment of trained cadets is very likely due to the tendency of the non-Indian shipping interests to restrict their employment. An insignificant number has so far been taken up by the non-Indian shipping lines; you will observe, Sir, that Mr. Mehta indicated to us this evening that only a small number has been taken up by the B. I. S. N. Co. Out of 70 ships with a tonnage of about 3,70,000, they have so far engaged four cadets only. The Asiatic Steam Navigation Co., possessing about 16 steamers of 82,000 tons have not engaged a single cadet so far. I would say that the Scindia Steam Navigation Co., possessing 14 ships with a tonnage of 74,000 have up to date engaged 21 Dufferin cadets (Hear, hear). Lastly, Sir, I would only appeal for the support of the House in commending the resolution placed before us this evening and I would request the Government that they should intervene at this stage and ameliorate the present situation. Whilst fully supporting the Resolution so admirably put forward by the previous speakers, I commend the same to the acceptance of the House. (*Applause*).

Mr. Ganga Singh: May I ask how these cadets have proved to be, in sea sense?

Mr. G. L. Mehta: Mr. President, I will not quote myself in this matter, but I would like to quote the opinions of two authorities. One is that of Admiral Sir Humphrey Walwyan who was the Director of the Royal Indian Marine, now the Royal Indian

Navy. As you probably know, Sir, some Indians are also taken in the Royal Indian Navy. He said that "if there is anybody in this country who thinks that Indians have no "sea-sense", please send that man to me". I cannot unfortuniately ask my friend Mr. Ganga Singh to go to him. The other opinion is that of Captain Turbett, the Principal Officer of the Mercantile Marine Department at Calcutta. Only a month ago, I had occasion to speak to him as regards Indians in the Bengal Pilot Service, of whose Advisory Committee I have been a member for the last two years. I asked him how he thought the "Dufferin" cadets were shaping in the Bengal Pilot Service and he told me that they were shaping excellently. Apart from this, the tributes paid by officers of the Royal Navy and the highest Government officials whenever they have visited the "Dufferin", to the capacity, calibre and discipline of these boys have been very eloquent and the experience of the Scindia Company has also been eminently satisfactory.

Mr. Thakorlal Vakil: On a point of information, may I ask how many non-Indians are employed by Indian shipping companies operating along the Indian Coast and what is their percentage?

President: Office has not got that information.

Mr. Sidhwa: I am glad my friend has anticipated me. I wanted to know the percentage of Indians employed by the Indian-owned and Indian-managed shipping companies, and also the percentages of Indian and European employees, because this question crops up very frequently whenever we discuss the question of contracts and Indianization and so forth, and the authorities always say, well, the Indian-managed companies after all do not employ the full strength of Indian officers. I would, therefore, refute that argument. I would like to know from responsible members here what are the percentages of Indian and European officers employed by them.

Mr. G. L. Mehta: If you will permit me, Sir, I will give a reply. Mr. Sidhwa must be aware that until the "Dufferin" was started there were no training facilities open to Indians in this matter. The technical services might be divided broadly into the navigational and engineering departments and the crew. The crew are, of course, all Indians. So far as the wireless operators are concerned, we ourselves got a class opened in 1928 with the help of Sir Ganen Roy, the then Director-General of Posts and Tele-

graphs and the Scindia Company trained Indians in marine wireless and to-day everyone of our wireless operators is an Indian (Hear, hear). Then, so far as the engineering department is concerned, even there the Board of Trade have to be satisfied. These Board of Trade regulations were not made either by the Indian shipping companies or by the Government of India; they are British Board of Trade regulations and unless those Board of Trade regulations are satisfied, it is not possible for a ship to leave the port. According to these regulations, we have been training Indian engineers also. Since last year Government themselves have instituted a course in the "Dufferin" for training in marine engineering, and till now, trained Indians in this country were not available but to-day 75 per cent. to 80 per cent. of our marine engineers are also Indians. Then so far as the navigational department is concerned, the position has been very unfortunate because, as I pointed out, until the "Dufferin" was established, there were no facilities. The British shipping companies did not favour any special schemes for training Indians. Since then, the Bombay Port Trust, several universities and municipalities and the Scindia Company have been giving scholarships for training of cadets. But until the "Dufferin" was started and even to-day in the whole of India, there are only three or four Indians who possess what is called a captain's certificate for an ocean-going steamer and one of them, I am glad to say, is in the port represented by Mr. Sidhwa himself a Muhammadan gentleman, Mr. Bombal, who rose from the position of a lascar to the position where he is now namely a pilot, and it is hoped that in course of time he would be a Deputy Conservator of the Karachi Port. Then we have got one Indian captain also possessing the qualifications of a master's certificate and apart from that, another Indian gentleman possessing a master's certificate is in our shore service, *viz.*, the Marine Superintendent of the Company. (Hear, hear). Now, there are 22 or 23 "Dufferin" cadets working as officers in the ships and as they get qualified, they will ultimately rise to the highest positions and we hope that, if things go on smoothly, by 1939 the first batch of Indian captains will be available in India not only for the Scindia Company but also for the British shipping companies also.

Mr. Sidhwa: Is it a fact that the Bombay Steam Navigation Company managed by Europeans have almost 100 Indian officers employed?

Mr. G. L. Mehta: I am sorry this question betrays ignorance of shipping conditions. The Bombay Steam Navigation Company have got what they call Home-certificated masters. Our steamers go to Colombo, Burma and so on and they are foreign-going services and consequently their captains have to possess foreign-going master's certificates. The Bombay Steam have got Indians possessing Home-Trade certificates. Unfortunately, through no fault of ours, the "Dufferin" was not established earlier so that Indian captains with foreign-going certificates are not yet available. (*Applause*).

The resolution was adopted unanimously.

Mr. Haridas Lalji (Buyers and Shippers Chamber, Karachi): Mr. President and brothren, the resolution which stands in by name is as under:

MEASUREMENT OF CARGO AT PORTS

The Federation reiterate their emphatic protest against the attitude of steamship companies in not accepting measurement of cargo by all the registered Chambers of Commerce at every port, and regret that no appreciable steps have so far been taken by Government to give effect to the suggestions made in the Federation resolution in this connection passed in the year 1932 for appointing Boards adequately represented by the local commercial and shipping interests at all major ports for the purposes of carrying out measurement work at a minimum charge.

Measurement of cargo is done at each port, whether minor or major, by the Measurement Department of a single Chamber of Commerce representing the non-Indian interests. To run this measurement department, an officer is required, maximum salary of whom, I believe, is not more than Rs. 500 per mensem. Besides this Officer, one or two clerks, a couple of peons and a cabin at the jetty or wharf form the entire establishment. The total expenditure to run the department does not exceed Rs. 10,000 per year. Now as regards the charges collected by the Chamber who controls this department, I'll quote one simple instance, *viz.*, the commodity of cotton. From Karachi and Bombay nearly four million bales of cotton are exported in a year. The measurement charges on this commodity are nine pies per bale. All the bales that are exported are not to be measured, but only a small percentage of the consignments. The charges, however, are levied on the whole consignments.

Gentlemen, from the trade of these two ports alone, namely, Karachi and Bombay, the Chambers concerned get approximately 2 lakhs of rupees against the establishment cost of hardly Rs. 20,000 a year. The balance of one lakh and eighty thousand rupees which comes from traders and shippers is spent towards the cost of palatial buildings of these Chambers. Gentlemen, most of you are multi-millionaires. You can well judge what amount of capital it would require to earn such tremendous profits. The officer doing the measurement work is called the Public Measurer. I do not know whether he is a public measurer or private measurer. If he is a public measurer, the amount realised through the department belongs to the trading public and not to the particular chamber. Gentlemen, you will rather wonder that for the last few years the Karachi Chamber does not publish the accounts of their measurement departments, showing their earnings from this source and the expenditure, in their Annual Reports. This is so since the agitation of Indian Chambers of Commerce to participate in the measurement work, or presumably because the public would know as to how such a big sum is being earned and spent. The European Chamber of Commerce of Karachi do not want to let out the secret. When they were asked, "It is public money, you should not charge such heavy measurement fees, You should please reduce them", they were not prepared to listen to such things. Another step was taken to urge the steamship companies, for whom so much has been said on the floor of this House a few minutes before, that they should help us and recognise our measurement department that we propose to set up with qualified men to do the measurement work. But the non-Indian steampship companies who have the monopoly of the foreign trade and of almost all the coasting trade (except 30% which go to Indian shipping companies) are not prepared to accept our measurement. Gentlemen, is it right that when a commercial body equally representative and equally important as the Chambers who control the measurement of cargo at present is prepared to run the measurement department with duly qualified hands, the steamship companies should refuse to co-operate, and that too inspite of the lowest possible charges compatible with the cost of the establishment and not fixed with a view to make profit from the measurement department? It is not only the question of a few lakhs, but a principle is involved, *viz.*, why should not the Indian Chambers of Commerce be allowed to run the measurement departments and thus give the benefit of the lowest charges to the trade?

With these words, I move the Resolution, and I hope our elder sister Chambers of Calcutta and Bombay will also take up this question and that this Federation will get the injustice removed. (*Applause*).

Mr. C. A. Buch, (Indian Merchants Association, Chittagong): Sir, I thank you for inviting me to make a few remarks in support of the Resolution before the House. I crave to be forgiven if I remark that this Resolution, to my mind, appears to be lop-sided. If we only carry out the Resolution as far as it goes, that is if we only appeal to the Government to interfere in this question, I think the fate of this question will be like that of many a still-born Resolutions which have been passed, ever since this Federation began to meet as an Industrial Conference. We all realise to our cost that the Government of India is not in Delhi, it is in the Clive street or the Ballard Estate or similar localities in great towns. Here we are not up against the Government of India, which usually takes our opposition in very good spirit, especially as they seldom act on them, but we are opposing a mighty interest, namely, the British shipping interests and the British Chambers of Commerce.

Just a short while ago, a speaker told us that there is a proverb in English which says, "where there is a will there is a way". I may supplement that proverb by saying that whenever there is a "will" with the Government of India, there is a "legacy" for the British interests. This particular legacy has not yet been touched even on the fringe by us. Those who are exporters to and those who are importers from foreign countries, know very well that the carriage of goods is done under a certain contract, technically known as contract of affreightment, ordinarily known as a bill of lading. I would appeal, not to the Government as the Federation want me to, but I appeal to every exporter and importer here to try an experiment. It is a very simple experiment and I feel that experiment might bring those concerned to their senses. Under the Bill of lading an exporter is not bound to give weight certified by any particular Chamber of Commerce. The Bill of lading contract mentions "said to weigh", it is only a declared weight. Indian exporters must therefore insist that they will give their goods for shipment on a measurement certificate issued by Indian Chambers only and if the shipping companies refuse to accept those goods or to assess freight on them, they should make a test case and see whether they succeed or not.

This Federation is no doubt aware, and I am sure they will not take pride like the Government of India in not being aware of anything, this Federation is no doubt aware—that the Resolutions that are sent up to the Government of India, if they are against British interests, are more or less brought within the category of discriminatory Resolutions. But this, fortunately, is a question between merchants and merchants. It is however no use saying that if the British Merchants will not listen we will call in the policemen in the shape of the Government of India. It would be just sufficient to tell the parties concerned that we insist on producing certificates signed by our own Chambers and I have reason to believe that if British clients in England do not accede to this proposition there are many other merchants especially in Japan, in France, Continental and American countries, etc., who would easily and willingly accept this suggestion. This might appear to be a rather odd idea, but it is worth trying. Another remedy that lies in our hands is that we should insist that a particular Chamber should invairably bind down its members to the promise that they will not ship or accept goods which are not certified by Indian Chambers. With this suggestion, I support the Resolution and hope that it will not meet with the fate that all our Resolutions during the past ten years have met at the hands of the Government or the others who are mightier than Governments.

One last sentence more, Mr. President and I have done. I assure you I am not going to be long because I have not got a written speech. Before we appeal to the Government, why not appeal to our representatives in the Assembly. It is high time that we should have a Parliamentary Board like the Indian National Congress. Pending the creation of such a Board, I am sure, public spirited representatives in the Assembly like our friend Mr. B. Das, whenever they are not pre-occupied with the development of new provinces like Orissa, will see to it that a Bill is brought in the Legislature, without further delay, making it legally compulsory for measurements given by any registered Indian Chamber for acceptance by the British shipping companies. As soon as that is done, I am sure the pagoda tree that is being shaken by the European Chambers of Commerce to-day will partly shower for their Indian conferers as well (*Applause*).

President: The Resolution has been duly proposed and seconded. I will put it to the vote.

The Resolution was unanimously adopted.

Mr. A. L. Ojha, (Indian Chamber of Commerce, Calcutta): Sir, I beg to move:

COAL INDUSTRY

In view of the most unsatisfactory position of the Coal Industry due to (1) burden of numerous local taxes like road cess, Mines Board, Water Board and Chawkidari taxes, (2) surcharge on railway freight and terminal charges, (3) unhealthy competition on account of imported coal and oil fuel and (4) the recent change in the coal purchase policy of the Government of India for Railways which are more or less responsible for the wasteful methods of mining with the consequential results of frequent colliery disasters, this Federation strongly urges on the Government of India to impose immediately adequate duty on imported coal and oil fuel, and to appoint a Committee of Enquiry for examining the present position of this important basic industry with a view to suggest remedies for its rehabilitation.

Sir, this Resolution is the last one on the agenda of the Federation. This is not the first time that I move this Resolution on Coal. Ever since I have come here, it has been my good fortune or misfortune to stand before you placing a Resolution asking for help for the Coal Industry. It has been like a patient coming to a doctor every time. This patient perhaps has been suffering not only from one but from so many chronic diseases and the case now is a very complicated one. I understand from a friend on my left that the case now is hopeless, but I do not think we can give up all hopes because if we give up our hopes, we cannot live in this world. Before I say any thing, I should like to mention as I told you before that this Resolution is the last one on the agenda and it is not only this year that it has been placed last on the agenda, but for all these years it has been placed last. I do not know whether it is due to evil stars that the Indian Coal Industry is suffering from or whether it is due to some power that is required to drive the machinery of the Federation in the coming year that this Resolution is placed last. Without taking much of the time of the House at the fag end of the session, when I think you are all practically tired after hearing so many speeches during the last two days, I shall proceed with my business and place some facts before you.

The first part is about taxation. A resolution has been adopted here yesterday in connection with general taxation, and there it is stated that "there exists a disproportionately high level of taxation which this country is required to bear out of its scanty resources and it earnestly urges on Government to consider ways and means etc."

Apart from the general taxation that is paid by all, including people engaged in coal industry, there are other special taxes, which I here refer to. I shall briefly tell you some thing about these taxes. First of all the road cess. This tax is generally not paid by any other industry except Coal Industry. It is also paid by agriculturists in Bengal and Bihar. This tax is levied, and so far, paid by us at the rate of one anna in the rupee on profit made by Collieris. During the last few years because the Coal Industry did not make any profit, many collieries could not pay road cess and so the Government, or rather, I should say, some enthusiastic members of the District Board thought that some how or other they must squeeze the Coal Industry. Their main reason is that they realised very large amounts before and consequently they made large programmes, and it was difficult for them, because they did not get money, to maintain all these programmes. A Bill has now been introduced by the Government of Bihar to change the basis of the tax. So far, they have realised this cess on the basis of profit, but now they want to charge on despatches, whether there is any profit or not. A Colliery producing first or second class coal, selling at a higher or lower price, has got to pay a uniform rate of tax, and it is very hard on people who are engaged, and mostly Indians are engaged, in mining second class coal which generally is taken as comparatively inferior coal and consequently fetching lower prices. This is indeed a blow to them because they do not get as much price as their European friends get for their coal. Secondly, the Mines Board of Health tax and Water Board tax. This sort of arrangement we find generally managed by municipalities, but in coal fields we have got special enactments and according to these we have got to pay cess on raisings and despatches for these amenities. You will be surprised to hear that in the case of the Water Board all collieries in Jharia field had to pay water tax about ten years before they got any water, because funds were first required to arrange for water works. Many collieries were closed before they got any water though they had

to pay the tax. Thirdly, the Chowkidari tax. This is not paid by any other industry. We have got to pay per certain number of quarters occupied by our employees. All these taxes are, as stated by me before, in addition to the general taxes that we people have got to pay. Then comes the second item, *viz.*, the surcharge on railway freight and terminal charge. As you are aware, on account of the railway deficit, the Government wanted money and they imposed a surcharge on Railway freight of coal at the rate of 15 per cent. At the time when surcharge was imposed we were asked to come to Delhi. We were told that the Government (Railway Department) wanted to consult us in connection with the proposed surcharge and when we went there, met in a conference and put forward our difficulties, the reply received was this that they were in need of money and consequently there was no other way but to impose the surcharge. They, however, said that it would not be continued for a long time. Gentlemen, what we find is this that it has been continued since then and there is no knowing when it will be withdrawn. The surcharge is levied on all coals, whether it is first class or second class, or fetching higher price or lower price. When the price of coal is some where about Rs. 2 or even a little less than two, or even up to Rs. 3 per ton, in some cases the freight is Rs. 14,15, or 18 per ton., and thus 15 per cent. surcharge in such cases exceeds the actual price of coal. The reason for this injustice to Coal Industry is attributable to the fact that the Government are in need of money.

We heard from our friend Mr. Manu Subadar yesterday how crores of rupees are being frittered away. Yet when Railways want money they tax the industry irrespective of its condition to bear it or not.

Fourthly, comes the unhealthy competition on account of imported coal and fuel oil. Though the cost of production of coal in this country is the lowest, we find large quantities of coal imported into this country. The reason for this is not far to seek. It is because we have been groaning under the burden of heavy Railway freight which generally regulates the sea freights.

Gentlemen, representations were sent by the Indian Mining Federation and Mining Association to the Government of India requesting them to impose import duty on foreign coal; but the Government finds no justification for imposing any duty on coal

from outside. It appears to me that, their idea is that they do not desire to make fuel dearer wherein I find some logic. Yet, it must be remembered that when Coal Industry of the country was in a position to realise better prices in the year 1920 and thereby were in a position to make some profit, Government interferred and did not allow to make such profit by putting an embargo on Export, with the result that we have lost all our foreign markets. To-day we are not in a position to sell all coal that we produce, and consequently internal competion is prevalent here, each of us struggling for existence. I believe that the Coal Industry has got some claim on all other industries and as such I wish that all the other industries of the country should come to its rescue in its hour of urgent need. The Government also should put aside their attitude of a spectator and should take into consideration all the factors which have brought the industry on the brink of ruin, and should help it with all the resources they can command.

As regards Fuel Oil, it is imported chiefly from foreign countries and if a duty on these Oils is imposed, it would give relief to Coal Industry to some extent and the Government will also make some money, which they say, they are in need of. When I was in Europe, I happened to meet some Coal people in Germany and when I enquired about Oil Fuel I was told that the German Government did not allow the import of any Oil Fuel from other countries as they had sufficient coal produced in their own country.

As regards the purchase policy of Government of India, there is some difference of opinion; The Government view that the Railways should buy the cheapest in the market: I do not find any logic in it, as when the Government on the one hand pass legislation after legislation and over-burden the industry with taxation, they on the other hand want us to work in a scientific way, which means more money which we are not in a position to find. We made this quite clear when we assembled here at the conference. Gentlemen, you must have heard of the great tragedy which happened only recently and in which many people lost their lives. At the conference, we told the Government "If you want us to do any thing for the industry, you must help us by way of economic price for the coal you buy". Perhaps you all know that the Government have got collieries owned by the Railways for their own requirements. Their argument for having these collieries is that they have kept them as a lever against the Coal Industry, least

the industry would some day dictate its price and squeeze the Government. A protest was lodged against this as early as 1921, and it was made hot for the Government to justify their policy. I understand that some of my friends think that Government were quite justified in securing these collieries and running them. But I may tell them that there was no question of squeezing then, and there can be no question of squeezing in the future, because you must be aware that railways have the first or preferential claim on wagons, and this we experienced some time before the War, some time during the War, and after the War, and on account of that, the railways could buy Coal at a comparatively low price. One thing I may say in confirmation of this, and it is this, that there are some contracts entered into by some of the important consumers in this country and one of the conditions of these contracts is that they will pay eight annas per ton higher than the price paid by the railway for coal. In spite of this advantageous position the Railways were in, they bought these collieries which they have been working to the detriment of the Coal Industry of the country. In view of this, I think the Government should certainly come to the rescue of the Coal Industry when the industry is in need of such help.

Lastly, our request is for a Committee of Enquiry, and I do not think our demand is very great. We want a Committee of Enquiry because the Committee will be in a position to go into all the facts and find out whether what we say is correct and whether we are in need of any help, and if so, what help can be granted. With these words, I move the resolution for your acceptance.

Mr. K. Dutt, (Indian Mining Federation, Calcutta): In seconding the resolution remarked:

MR. PRESIDENT AND GENTLEMEN,

I rise to endorse the proposition which has been placed by my friend Mr. Ojha before you. The resolution, which relates to the plight of the coal industry, has, I assume, by pure coincidence, been placed as the last resolution on the Agenda, but I venture to feel that it is no indication of the house attaching the least importance. Honestly speaking, Gentlemen, the trade to which Mr. Ojha and myself have our lots cast into, is indeed a cindrella among the Indian industries-Cindrella not only to the Government who yield the economic destiny of the country but, as we have often the

irresistible misgivings to think, to our friends in Indian trade and business. I will dismiss, Sir, our fears on the present occasion and shall venture to hope that in the exceedingly perilous time we are foreseeing ahead, we shall continue to receive the influential support of the Federation of Chambers, in all our efforts for amelioration.

I do not think, I need waste much time of the House in amplifying the preamblary part of the resolution. The coal industry of Bengal and Bihar is the most singular in respect of a liability to the maximum number of local and provincial cesses. The collieries in Jharia-coalfield pay for the sanitation of the coal area, that is understandable, but, we pay also for every glass of water that we drink in the coalfield, we pay for the policing of the local area; we are called upon to pay for public works in the coalfield and most of these, as a levy on each ton of coal that we despatch from the colliery siding. Since 1930-31 the Railways were threatened with heavy loss of earnings and the Railway chiefs found the coal trade handy to make good the loss by levy of surcharge on coal-traffic. The Railways have been loosing big money for years but it is only recently that general goods traffic was called upon to make good the Railways's loss by higher freights. But the coal trade has not been allowed to go untaxed even on the present occasion. With effect from the 1st of this month the E. I. Railway and B. N. Railway have imposed a terminal at the receiving end with regard to every ton of coal despatched from the colliery. I am aware that it may be argued from certain quarters that higher transport charge of coal need not affect the producers. I venture to join issue.—The consumers do indeed pay the freight, but higher transport charges tend to replace coal by other forms of cheaper fuel; To take one single instance, the oil fuel imported in 1913-14 was 7·7 million gallons but it rose to 111·3 million gallons in 1934-35. I would grant, that the entire higher import has not taken place by way of replacement of coal fuel but a large part of this invasion of oil in the Indian fuel market has undoubtedly taken place at the cost of Indian Coal. I take it Sir, this house is well aware of the number of cotton mills, of the large section of well-known railways which have switched on from coal to oil and of the large constructional undertakings like Vizag harbour which has entirely been carried on with oil as the basis of power. The story of our woe does not end here. For the last three years the

Railway Board have suddenly assumed a *volte face* with regard to the purchase of coal for Indian Railways from the market. The Railway Administrations are the buyers of Indian coal at the cheapest rate relatively to all other industrial consumers. I make this assertion unhesitatingly but since 1931-32 a policy has been adopted by the Railways and the Railway Board to take advantage of internal competition in a glutted coal market and thus to unduly depress the coal prices. With a protection granted for certain favoured industries, with a benevolent and progressive stores-purchase policy drummed from the house top, with Railways developing their own collieries in order to withhold the custom which would have been otherwise for the trade, this is the invidiously shabby treatment which we, in the coal trade have been receiving at the hands of the Government in the recent years. All these would not have mattered if the situation in Indian coal trade or for the matter of that in the world coal trade were not what it has been since the reaction of the industrial boom after the war. We in the Indian Coal trade are in the grip of appalling overproduction,-overproduction not evidenced so much by accumulated stocks at the pits mouth but a potential excess of supply over the demand. That has been the fundamentally determining factor in the present situation in which all the adverse factors, which would not have been felt otherwise, are operating as a blighting drag on the trade. But for this potential overproduction we would not have painfully recalled to-day the export market, we had built during the war and lost it under operation of Government embargo. But for it, we would not have smarted to-day under the memory of drastic control of raisings and scandalous failure of wagons-supply which had for years and years been our lot in the past years.

What about the colliery fires? What about the wasteful mining? These are probably the questions which some in this House may be tempted to ask, as I voice the appeal on behalf of the coal industry here. Sir, you cannot expect A1 mining conditions, A1 mining operation under C3 economic conditions of the trade. The Owners of coal mines are the last Indian industrialists against whom an unkind charge of profiteering at the cost of national wealth or human life can be made. In 1921 the Govern-

ment of India brought out a British expert to examine what was even then regarded as wasteful mining. The report was made and it was found that out of the 15% of the coal wasted as much as 10% was attributable to weathering due to failure of wagon-supply. The cry of wasteful mining is neither new nor a damaging one against the trade; yet we have submitted to all restrictions and we have agreed to co-operate with working of the drastic mining regulations under the proposed amendment of the Mining Act. But unless the economic situation in the coal trade is made to improve, the official efforts at drastic regulations would mean nothing more than passing a sentence of conviction passed on a dead or a dying person. Our proposition to the House is an exceedingly modest one. We want, as a first gesture, a changed official attitude to the coal trade and increased import duty on coal and oil fuel.

This tariff-relief would however not touch more than a fringe of the needed solution but even for the larger scheme of the rehabilitation of the coal trade which we envisage, we put forward a modest proposition, we ask for a Committee of enquiry. We are convinced particularly after our abortive negotiations with the Government of India regarding the enforcement of a controlled production-scheme in 1934, we shall have to mobilise a sufficient volume of public opinion in carrying through a really effective programme of improvement of the coal trade. With the price of best Jharia coal dropping alarmingly from Rs. 8 in 1921 and Rs. 5 in 1926 to less than Rs. 3 in 1936, there is something definitely rotten in the pits of coal mines. We ask merely for a Committee of enquiry, not the tinkering sort of one over which the Honourable Industries member himself presided in 1924 but a thorough enquiry on a broader basis made with the wisdom of a statesman and with a vision to the economic future of India in one of its most important sphere-the source of power supply of Indian Industries.

With these few words, Sir, I support the resolution.

President: Gentlemen, the Resolution has been moved and duly seconded now, and I put it to the House.

The Resolution was adopted unanimously.

President: Item No. 4 on our agenda relates to the result of the elections, and the Secretary will announce them to you now.

ELECTION OF OFFICE-BEARERS

Secretary:

President

Mr. D. P. Khaitan.

12 Members of the Committee

		Votes secured.
1.	Mr. A. D. Shroff	94
2.	Mr. Manu Subedar	93
3.	Mr. Kasturbhai Lalbhai	83
4.	Lala Shri Ram	82
5.	Mr. G. D. Birla	81
6.	Sir Purshotamdas Thakurdas	66
7.	Pandit K. Santanam	65
8.	Lala Padampat Singhania	64
9.	Mr. Rahimtoola M. Chinoy	58
10.	Mr. M. L. Dahanukar	56
11.	Seth Walchand Hirachand	55
12.	Mr. Chunilal B. Mehta	54

Honorary Treasurers

1.	Mr. A. L. Ojha	73
2.	Dr. S. C. Law	71

Election of Hony Auditors.

President: Gentlemen, item No. 5 on our agenda relates to the appointment of Hony. Auditors for the coming year.

I am suggesting the name of Mr. H. P. Khandelwal to be our Hony. Auditor for the year 1936-37.

The motion was adopted unanimously.

President: Now, gentlemen, we come to item No. 6, and that is to consider the question of taking steps for strengthening the

finances of the Federation to increase its activities. This question has come up before our Executive Committee many times, and those who take an interest in the financial position of the Federation well know how this body stands financially. We do not wish to move this question in the form of a Resolution, but we would like to have a free discussion in this House. I hope the press will not report the discussion, as it is a matter which relates to our internal administration* I call upon Lala Shri Ram to speak.

Lala Shri Ram explained at full length the idea of discussing the financial position of the Federation.

Mr. J. J. Kapadia, Pandit K. Santanam, Mr. R. K. Sidwa, Mr. A. C. Khosla, Mr. S. H. Lulla, Mr. B. Das, Mr. Manu Subedar, Mr. J. C. Setalvad, Mr. Kesturbhai Lalbhai and several others expressed their opinion on the question.

VOTE OF THANKS TO THE PRESIDENT

Mr. D. P. Khaitan: Sir, I have now a very pleasant function to perform but on account of the lateness of the hour, I do not propose to tire your patience or the patience of the hard worked Chairman by speaking as long as I originally intended to do.

But before I ask you to express your thanks to the Chairman, I have another duty to perform and that is to express my own thanks to you all and to all the member bodies for having done me the honour of electing me as President of the most important body that the Indian Commercial community has (*Applause*).

When the Federation of the Indian Chambers of Commerce was started nine years ago, little did the promoters realize that during the short space of nine years, this Federation would assume the importance that it has done to-day. Little was it realized that the Federation would be successful, as it has been, in consolidating and solidifying the opinions and views of the entire Indian commercial community of India. You will be glad to learn that there has not been so far a single occasion on which the lead given by the Federation has not been cheerfully accepted by every single member-body in the country (*Applause*). It is now recognized as a body of great importance even by the Government of India and

*The full proceedings of the debate on this question are printed as a confidential document meant for the information of the members of the Committee and member bodies only.

by the European community. An occasion had recently arisen when even the Associated Chambers of Commerce has had to approach the Federation for its support. I have not the slightest doubt that in time to come this Federation will on all hands be recognized to be more important and more powerful body that needs more to be approached than any other for the purpose of extending its support on any matter commercial or economic. It has been a great pleasure to the members of the Committee of this Federation to work whole heartedly and unitedly in service of the community and I have not the slightest doubt that with the support that has been extended to them in the past and with the support that I hope will be extended to them in the future, their enthusiasm will not diminish but will increase from day to day.

After these few brief remarks, I now propose to undertake to perform the pleasant task for which I have risen and that is to move the Resolution:—

"That the Federation puts on record its great appreciation of the services rendered by the President, Lala Padampat Singhania, during the term of his office and expresses its warmest thanks to him".

You will find gentlemen, that this Resolution has been couched in very plain language and in very modest terms. This is due to the fact that our heart is warm and so there is no occasion to indulge in rich and flowery language. That is the reason why the Resolution is worded in so simple a language. But it comes from the warmth of our heart and I have not the slightest doubt that our retiring President Mr. Padampat Singhania will take it in the spirit in which it comes. I can personally testify to the great hard work that Mr. Padampat Singhania has done during the last twelve months (hear, hear). Very important questions have come up for deliberation before the Committee, such for instance as the Indian Companies Act (Amendment) Bill, the Income-tax inquiry, the Delimitation Committee report and other matters of similarly important nature. I should not forget to mention the Ottawa Agreement. If I did not mention the name of the Chairman yesterday when proposing congratulations to the Members of the Legislative Assembly, it was simply because I wanted to reserve my remarks till the present moment. Although the members of the Committee worked hard, the hardest of all work fell to the lot of

our able Chairman and our able Secretary, Mr. Mulherkar. It was Mr. Mulherkar who collected all the detailed figures that we have incorporated in the report, and many more figures which have not seen the light of day but which were needed to be used in the course of that report. It was our President's business to relate them together and to present them in a unified form, and you can see with what ability our President and our Secretary did their work on that matter. You have also seen the memorandum that was presented on the Agricultural Indebtedness Bills introduced by the Governments in several provinces affecting the interests of the Mahajans in connection with their business. You have seen the very able comments that were made in regard to income-tax matters, but I will not tire your patience further by giving instance after instance. You are aware at what great trouble, and at a time when his father was ill, for the purposes of the Federation the President undertook a tour in Southern India and Western India which engaged him for at least one month, and he did perform his work there also in a very able manner. I have received evidence that both Southern India and Western India felt very much gratified because of the trouble that our President took. I hope, Gentlemen, that you will carry this resolution with acclamation. (*Loud and continued applause*).

Mr. A. D. Shroff: Gentlemen, it gives me really very great pleasure to associate myself with our incoming President, Mr. Khaitan, in seconding the resolution for a vote of thanks to our retiring President, Lala Padampat Singhania. It is in no sipirit of a conventional vote of thanks that Mr. Khaitan has placed his resolution before you, and I can assure you that I equally with the warmth of a pulsating heart rise to second this resolution. Gentlemen, perhaps it may not be known to many present here that Lala Padampat Singhania was the youngest member of the Committee that has just retired. During the deliberations of the Committee meetings, Lala Padampat Singhania convinced us—most of us not being very well known to him, therefore needed some conviction—he convinced us not only of his infinite capacity for taking pains, not only of his judicial impartiality, not only of his wonderful communicativeness, but also of his great ability as a hard headed business man and the application of that business habit to the conduct of the deliberations of our Committee meetings. Gentlemen, I feel particular gratification in seconding this resolution. I have come

to believe that all institutions in this country can be strengthened by a complete fusion of age and youth, age supplying experience and wisdom and youth supplying the necessary vigour and enthusiasm. But the retiring President did not very much need the assistance of wisdom and experience that could be brought by age, as his personal association with the multifarious business engagements which we saw on our visit to Cawnpore gives him at this early age of his life the experience of three score years. He carries with him the conservatism which is only natural in a family to which the President belongs, and all these qualities I assure you have influenced to a considerable extent the successful working of the Federation during the last year. I personally feel a sort of wrench in parting with the President, though it is great comfort that he continues to be a member of the next Committee, and I wish and pray that he may be long spared to us to render the same kind of meritorious service which he has rendered to us during the last year. I wish you, Sir, all success in life, a very long life, full of health, vigour, and prosperity, always eager you may remain to render your service to your motherland, and particularly, to the commercial and industrial community of which you are an ornament. (*Loud and prolonged applause*).

Mr. Kasthurbhai Lalbhai: Gentlemen, I have great pleasure in supporting this resolution which has been so ably moved by the in-coming President, Mr. Khaitan, and so ably seconded by Mr. Shroff. Those of us who knew Lala Padampat Singhania had not the least doubt about his ability to conduct the affairs of this Federation. It is not only the ability with which he conducted the affairs of the Federation, but the warmth with which he received us at Cawnpore, the representatives of this Federation, as his honoured guests will ever live in the memory of those who had the fortune to attend that Committee meeting. Not merely did he receive us with his princely munificence, but the round of entertainments that he arranged for us showed how keen he was to further the cause and dignity of this Federation. (Cheers). I am sure, Gentlemen, those of you who have come in contact with him can now testify to his ability, tact and resourcefulness. He had always a consideration for every one of us, and it is with great pleasure that I support the resolution. (*Loud and continued applause*).

The resolution was carried with acclamation,

Mr. D. P. Khaitan: Before the President rises to say a few words, I have just one announcement to make, namely, that the elected members of the Committee will meet in the room nearby to transact some items of business.

Mr. Beg Raj Gupta: In Hindi suggested that an appreciative record might be made of the work of the retiring Committee.

Lala Padampat Singhania, (who was received with loud ovation): Mr. Khaitan, Mr. Shroff, Mr. Kasturbhai and Brother Delegates, I thought that my friends in moving a vote of thanks to the Chair will do it in as a few words as possible, but they have not done so, but they have placed me in a very delicate position by their flattery about me in their speeches and appreciative references so much so that I hardly find suitable words to reply them. I cannot leave this opportunity without disclosing the facts to you, and will leave the matter in your hands to decide who deserves these thanks.

As my friend, Mr. Shroff, has mentioned, and it is very rightly, that I was one of the youngest Presidents of the Federation. A few years ago, the elders, I do not want to name them, but all those members, who are sitting on the left hand front rows had entered into a conspiracy to bring me into the Federation, and they succeeded in getting me into the Executive Committee, and thereafter they entrusted to me the duties of the Vice-President. In spite of my objection that perhaps due to my weakness I might not be found to be befitting for such a high position, I was told that it was the order of the President, and I could not refuse it. My dear Brother Delegates, the successful working of the Committee was not due to me, but it is due to the full co-operation of the Committee members and the timely help and co-operation of the Member Bodies. I should also mention the remarkable way in which I was treated during the time of my Presidentship. It was unanimously decided by the Committee members that I should call the first meeting of the Executive of the Federation in Bombay, and my friend, Mr. Manu Subedar, President of the Merchants' Chamber, Bombay, before my arrival there, had already arranged for giving me parties, so also by my other friends of Bombay. I never thought of such social functions to the Presidents of the Federation, and it was decided thereafter in the Executive Meeting in Bombay that the next meeting of the Executive should be held

in Ahmedabad. Mr. Kasturbhai Lalbhai and the other Millowners of Ahmedabad had met us and given us such a royal reception that they have made it impossible for the other places to receive the President of the Federation in such a manner. I wish all of you should have been there and seen such a reception, and I am sure you would have never forgotten it. Thereafter, I was on tour for the Federation work starting from Bengal, where I was about for 5 days, and I do not remember how many dinner parties I had to attend in all; but I can say that neither have I lunched nor dined at my host's place. Then the turn to tour the Madras Presidency came. I visited and met about three-quarter dozen Member Bodies. Everywhere in this Presidency, I was honoured with parties and social gatherings. This is the way I have been treated. Now I leave it to you to judge, who actually deserve these thanks. Now on behalf of you all, as suggested by my friend, Mr. Beg Raj Gupta, I leave for the House to propose a vote of thanks to be recorded to the Committee of the Federation for the valuable advice so ungrudgingly given, also for the very valuable time they have spent for the cause of the Federation and for the general cause of the Indian Commerce and Industry, which, I am sure, you will carry with acclamation. (Cheers).

Gentlemen, I have one more matter to say, and that is we have to record our thanks to our Honorary Auditors, Messrs. S. B. Bilimoria and Co., also to our Scrutinisers, Mr. J. K. Mehta and Mr. M. P. Gandhi. Now, Gentlemen, I thank you once more and declare the meeting closed.

APPENDIX A.

LIST OF MEMBER-BODIES OF THE FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY WITH THEIR REPRESENTATIVES.

Names of Members.	Names of Representatives.
1. The Ahmedabad Millowners' Association, Ahmedabad.	1. Mr. Kasturbhai Lalbhai. 2. Mr. Nandas Haridas. 3. Mr. Shantilal Mangaldas. 4. Mr. Ratilal Nathalal.
2. The Maskati Cloth Market Association, Ahmedabad.	1. Mr. Bhogilal Chhotalal Sutaria. 2. Mr. Chimanlal Lalbhai. 3. Mr. Trikamlal Mahasukhram. 4. Mr. Hariram Jamnadas.
3. All-India Soap Makers' Association, Calcutta.	1. Mr. Ashutosh Ganguli, M.A. 2. Dr. S. N. Dutt, M.B. 3. Dr. S. K. Basu, M.Sc., Ph.D. 4. Mr. B. N. Maitra.
4. The Andhra Chamber of Commerce Ld., Madras.	1. Mr. Narayandas Girdhardas. 2. Mr. K. Nageswara Row Pantulu. 3. The Hon'ble Mr. Y. Ranganayakulu Naidu Garu. 4. Mr. V. Venkateswara Sastrulu.
5. The Baroda Millowners' Association, Baroda.	1. Rajratna Rajmitra Sheth Bhailalbhai Dajibhai Amin. 2. Sheth Harivallabhdas Kalidas. 3. Sheth Hiralal Motilal. 4. Sheth Sumatis Chandra.
6. Behar & Orissa Chamber of Commerce, Patna.	1. Mr. B. Das, M.L.A. 2. Babu Gurusharn Lal. 3. The Hon'ble Rai Bahadur Radha Krishna Jalan. 4. Lala Balkrishna Das Khandelwal.

	Names of Members.		Names of Representatives.
7.	Bengal Industries Association, Calcutta.	1.	The Hon'ble Mr. S. C. Ghosh Maulick.
		2.	Mr. N. N. Rakshit.
		3.	The Hon'ble Mr. B. K. Basu.
		4.	Mr. H. P. Bhattacharya.
8.	Bengal National Chamber of Commerce, Calcutta.	1.	Mr. Nalini Ranjan Sarker.
		2.	Dr. Satya Churn Law.
		3.	Mr. D. N. Sen.
		4.	Mr. P. C. Coomar.
9.	Berar Chamber of Commerce, Akola.	1.	Mr. Mangilal Mangalia.
		2.	Mr. G. W. Palekar.
		3.	Seth Gopaldasji Mohota.
		4.	Mr. B. G. R. Kothari.
10.	Bombay Bullion Exchange, Ltd., Bombay.	1.	Mr. Chunilal B. Mehta.
		2.	Mr. Pratapray Manmohandas Mehta.
		3.	
		4.	
11.	The Bombay Shroff Association, Bombay.	1.	Mr. Chunilal B. Mehta.
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		3.	Mr. Sankalchand G. Shah.
		4.	Mr. Sankarlal C. Sura.
12.	Burma Indian Chamber of Commerce, Rangoon.	1.	Mr. Ganga Singh, M.L.C.
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		3.	Mr. C. S. Patel.
		4.	
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		3.	Mr. M. A. K. Alvi.
		4.	Mr. Mulraj Dungoorsee.
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		2.	L. Ram Lall.
		3.	L. Dwarka Prasad Kakkar.
		4.	L. Ram Ratna Gupta.

	Names of Members.		Names of Representatives.
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		4.	L. Harparshad.
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		2.	
		3.	
		4.	
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		2.	Rai Bahadur P. Mukerjee, M.L.C.
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		3.	Lala Padam Chand.
		4.	Lala Panna Lal Arora.
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		3.	Mr. H. P. Bagaria.
		4.	Mr. Kedarnath Khandelwal.
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		3.	Mr. Appana Padmraju.
		4.	Mr. S. Krishnamurty.
21.	Grain Merchants' Association, Bombay.	1.	Seth Pachubhai Mansey.
		2.	Seth Vallabhadas Peraj.
		3.	Seth Lakhamsey Ghelabhai.
		4.	Seth Hansraj Velji.
22.	Gwalior Chamber of Commerce, Lashkar, Gwalior.	1.	Lala Ramji Das Vaishya, Tajir-ul-mulk.
		2.	Mr. D. C. Muzumdar.
		3.	Mr. Bhagawandas Sethi.
		4.	Mr. S. Raj Dhariwal.

	Names of Members.	Names of Representatives.
23.	Indian Chamber of Commerce, Calcutta.	1. Mr. D. P. Khaitan. 2. Mr. A. L. Ojha. 3. Mr. G. D. Birla. 4. Mr. G. L. Mehta.
24.	Indian Chamber of Commerce, Coimbatore.	1. R. Ry. Dewan Bahadur C. S. Ratnasabapathy Mudaliar, M.L.C. 2. R. Ry. B. A. Padmanabha Iyer. 3. R. Ry. C. P. Harichar, G.D.A. 4. Mr. P. S. G. Ganga Naidu
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Names of Members.	Names of Representatives.
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32. Indian Merchants' Chamber, Bombay.	1. Mr. Rahimtoola M. Chinoy. 2. Mr. A. D. Shroff. 3. Mr. Manu Subedar. 4. Mr. M. C. Ghia.
33. Indian Mining Federation, Calcutta.	1. Mr. Kumud Behari Basu. 2. Mr. Kanai Lal Dutt. 3. Mr. D. K. Sanyal. 4. Mr. Baidya Nath Banerjee.
34. Indian National Steamship Owners' Association, Bombay.	1. Seth Walchand Hirachand. 2. Mr. M. A. Master. 3. 4.
35. Indian Produce Association, Calcutta.	1. 2. 3. 4.
36. Indian Salt Association, Bombay.	1. Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E. 2. Mr. Hooseinbhov A. Lalljee, M.L.A. 3. Mr. Jamshed N. R. Mehta. 4. Mr. Kapilram H. Vakil.
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	Names of Members.		Names of Representatives.
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		2.	Sreejut Bhimraj Sethia.
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		4.	Mr. Setti Siddana.
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45.	Marwari Chamber of Commerce Bombay.	1.	Mr. Beg Raj Gupta.
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	Names of Members.	Names of Representatives.
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51.	Paddy Merchants' Association, Calcutta.	1. Mr. Ashutosh Bhattacharya. 2. Mr. Gokul Chandra Guha. 3. Mr. Nilmadhab Ghosh. 4. Mr. Dasarathi Ganguly.
52.	Seeds Traders' Association, Bombay.	1. Mr. Chotalal Kilachand. 2. Mr. Ratilal Mulji Gandhi, B.A. 3. Mr. Gordhandas Jamnadas. 4. Mr. Nandlal Mulji Bhuta.

Names of Members.	Names of Representatives.
53. Southern India Chamber of Commerce, Madras.	1. Kumar Rajah M. A. Muthiah Chettiar. 2. Mr. Vidyasagar Pandya. 3. Sami Venkatachalam Chetty, M.L.A. 4. Diwan Bahadur Narayan Swamy Chetty.
54. Southern India Skin & Hide Merchants Association, Madras.	1. Mr. C. Abdul Hakim Sahib. 2. Mr. M. Jamal Mahomed Sahib. 3. Mr. B. S. Mohamed Zackeria Sahib. 4. Mr. M. Mohamed Ismail Sahib.
55. Southern India Textile Association, Coimbatore.	1. 2. 3. 4.
56. Telikanta Brokers' Association, Calcutta.	1. 2. 3. 4.
57. The United Provinces Chamber of Commerce, Cawnpore.	1. Rai Bahadur L. Rameshwar Prasad Bagla. 2. Mr. Mohan Lal Sah. 3. Kunwar Rudra Pratap Narain Singh, B.A. 4. Hon'ble Rai Bahadur Lala Ram Saran Das, C.I.E., M.C.S.

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3. Mr. M. Muhammad Ismail, Madras.
4. Mr. B. Das, M.L.A., Cuttack.

ROYAL ... OF THE BOMBAY ... BRANCH

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